

MICHIGAN FARM NEWS

MICHIGAN'S ONLY STATEWIDE FARM NEWSPAPER

MICHIGAN FARM BUREAU



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Michigan youth named star FFA agribusinessman



Chad Bischoff, of Marshall, received his Star Agribusiness award at the 69th national FFA convention, held in mid-November. The first Agribusiness Star from Michigan, Bischoff joined three other finalists in Kansas City. He said he was overwhelmed and excited when he won. "It was probably one of the best weeks of my life," he said. "I owe thanks to Floyd Beneker, my advisor. He got me involved and ready for this." For his efforts, Bischoff received \$2,000, plaques, and a trip to Costa Rica for a tour of agriculture in that country. The awards are sponsored by Toyota Motor Sales of USA and the Farm Services Agency of the USDA, formerly known as the Federal Crop Insurance Agency. The other finalists received \$1,000 and the trip, courtesy of the same sponsors.

Tuberculosis survey of white-tailed deer reveals 24 positives in a four-county region

No other positive results have been found outside the region or in any livestock.

Through the beginning of December, 24 of 2,900 analyzed deer carcasses from the 1996 hunting season tested positive for bovine tuberculosis from a region in northeast Michigan.

For the second consecutive year, the tests were taken from a 200-square-mile area of private land centered where the four counties of Alpena, Montmorency, Oscoda and Alcona join. Last year a total of 27 deer tested positive, prompting the testing of all livestock herds in the area. No animals other than wild white-tailed deer have tested positive.

"Due to the increase in testing of deer carcasses, it is to be expected that there are more positive animals this year compared to last year," explains Michigan Farm Bureau Livestock Specialist Kevin Kirk.

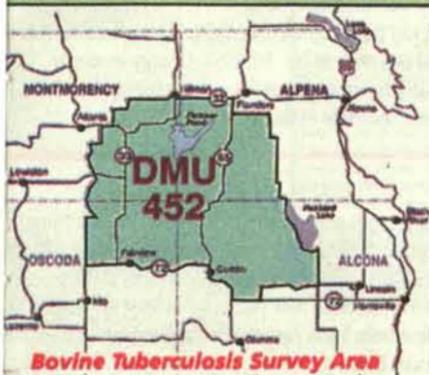
Ongoing surveys from Michigan's other 79 counties have not identified any other bovine tuberculosis outside the initial 200 square miles.

"The important aspect of what we've learned is that the tuberculosis problem in white-tailed deer is localized to one specific area of Michigan and has shown no signs of spreading," adds Kirk. "The biggest challenge now is how to control and eradicate the problem in the white-tailed herd."

"We need to seriously consider the total elimination of deer feeding in the affected area after Nov. 15," states Kirk, "so that Mother Nature can help destroy some of these weak animals that are infected with the disease."

According to the Department of Natural Resources (DNR), bovine tuberculosis most commonly manifests itself in livestock, especially cattle, as a chronic, wasting disease. Bovine tuberculosis may be spread among livestock through the

Continued on page 12



Bovine Tuberculosis Survey Area

CFTC files three separate administrative complaints related to grain contracts, alleging violations of the Commodity Exchange Act

The Commodity Futures Trading Commission (CFTC) recently announced the filing of three separate administrative complaints related to grain contracts that are alleged to have violated the Commodity Exchange Act (CEA).

In the first complaint, Southern Thumb Co-op Inc., a cooperative grain elevator headquartered in Lapeer, Mich., is charged with violating the prohibition against the offer of illegal, off-exchange agricultural options, and with fraud in connection with its marketing of the illegal instruments.

The second complaint charges Grain Land Cooperative, of Blue Earth, Minn., with offering and entering into illegal, off-exchange futures contracts.

The third complaint charges Roger Wright, of Mechanicsburg, Ohio, with fraud in connection with his marketing and promotion of, and his entry into, illegal, off-exchange futures and options contracts. Wright is also charged with registration violations. This complaint also charges A.G. Edwards and Sons Inc. of St. Louis, Mo., and its employee, Philip Luxenburger, with aiding and abetting Wright's unregistered activities and trading without proper authorization. The third complaint also charges Buckeye Countrymark Inc., a cooperative grain elevator located in Xenia, Ohio, with offering and entering into illegal, off-exchange futures and options contracts.

In the first CFTC complaint, Southern Thumb Co-op is alleged to have marketed illegal "short call option" and "long put option" programs to producers and to have recklessly misrepresented the risks associated with these options in violation of Section

4(c)(b) of the CEA, and CFTC regulations 32.2 and 33.10.

In the complaint against Grain Land Cooperative, the CFTC alleges that the elevator offered and sold so-called "hedge-to-arrive" contracts that constituted illegal, off-exchange futures contracts in violation of Section 4(a) of the CEA. In the third complaint, Wright is charged under the CEA and CFTC regulations with acting as an unregistered commodity trading advisor and with fraud for his misrepresentations in promoting and marketing to farmers the illegal, off-exchange futures and options contracts offered by Buckeye Countrymark. Buckeye Countrymark is also charged with violating Sections 4(a) and 4(c)(b) of the CEA and CFTC regulation 32.2 for its offer and entry into illegal, off-exchange futures and options contracts.

The CFTC's complaints institute public administrative proceedings to determine if the allegations in the complaints are true and, if so, what sanctions should be imposed. Possible sanctions include cease and desist orders, civil monetary penalties, registration restrictions where appropriate, and where fraud is alleged, restitution to customers.

The complaints are based on information presented by the CFTC's Division of Enforcement, which gives the CFTC reason to believe the respondents have violated the CEA and CFTC regulations as alleged. The filing of these complaints does not represent a determination by the CFTC that there has been a violation of the CEA, nor that any sanctions or other remedies are warranted. Any such determination will await the development of a

Continued on page 12

Southern Thumb Co-op contracts with Michigan Ag Commodities for marketing activities

Facing serious financial difficulties and subsequently being hit with allegations by the Commodity Futures Trading Commission (CFTC), new management at the Southern Thumb Co-op has contracted with Michigan Ag Commodities (MAC) to buy, sell and store grain at Southern Thumb Co-op facilities.

"Our negative equities today are about \$24 million," states Southern Thumb Co-op's new General Manager Tom Ryan, answering questions about the financial status of the Lapeer-based cooperative. Most of the negative equities are a direct result of hedge-to-arrive contracts that members of the co-op participated in last year, he adds.

"Negative equity means that growers were allowed to participate in a trading account using the co-op's money," explains Ryan. "When the market started going against them, they sold bushels short and when they finally brought those bushels in, the difference between the price they sold it at and the higher price they bought it back in, or unpriced it at, caused a loss to each grower and those losses are referred to as negative equities."

Since the end of October, MAC buys the grain from the grower and sets the market, states Ryan. "If the grower brings grain on delayed price, it is the liability or obligation of MAC."

Continued on page 4

INSIDE THIS ISSUE OF THE MICHIGAN FARM NEWS

MABA Winter Conference — something for everyone	4	New Kellogg Farm dry cow barn goes into use	11	Beware of carbon monoxide rise in shops and buildings	16
Tax-sheltered investments for self-employed and corporate owners	7	Using yield monitoring data in crop fertility management	13	Conservation tillage tops 100 million acres	17
1997 price projections? — Nothing like 1996	8	Statewide forage management series offered by MSU Extension	14	Make use of advice from precision ag experts	18
No-till needs retooling, according to coultter inventor	10	Post-season combine maintenance pays big dividends	15	Groundwater protection starts with community action	20

Sell products and services in the Michigan Farm News classifieds—Page 21

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News in Brief



From the President

Recent tax policy issues profound for agriculture

As the year draws to a close, many of us will be making crucial tax management decisions as a normal course of business. Making advance purchases of inputs for next year — as delaying sales and/or deferred payment contracts — allows producers to manage tax burdens in good and in bad years.

Tax code provisions, such as cash accounting and deferred payment contracts, provide important financial and tax management tools for producers. Recognizing the impact of budget cuts for agricultural programs, Congress included language in the 1996 budget resolution that pledged to re-examine agricultural cuts unless, among other things, Congress acted to provide mechanisms to allow farmers to average tax loads over strong and weak income years.

Several pieces of Farm Bureau-supported legislation to allow income averaging were considered by the 104th Congress but were not enacted into law. Farm Bureau will be working to secure their passage as the bills are reintroduced next year.

Farm Bureau supports the option of cash accounting for farmers and the continuation and expansion of tax code provisions that allow farmers to match income with expenses. Farm Bureau also supports the reinstatement of income averaging for farm income and the creation of "farmer savings plans," which would allow farmers to put money into a pre-tax account for use during emergencies.

Farmers are also at risk of another tax management tool, thanks in large part to a recent change in tax policy interpretation by the Internal Revenue

Service in how the agency will treat deferred payments. Recent rulings in Washington state and in Iowa penalize farmers attempting to average their income and tax burdens from year to year through the use of deferred payment contracts.

The IRS has begun classifying deferred payment contracts as a tax preference by allowing farmers to delay income through deferred payment contracts for their regular tax calculation but not for their Alternative Minimum Tax calculation, which can result in additional tax liabilities for farmers.

Several farmers in Washington state and Iowa are currently being examined by the IRS regarding the use of forward contracting in the sale of their crops. At least 35 Washington farm families are currently in IRS appeals awaiting the opinion of the Tax Court. Commodities included in the proposed adjustments include sweet corn, beans, hogs, potatoes, onions and various seed crops.

Why is the IRS pursuing this issue? The answer is pretty simple. By disallowing farmers to defer income into the next year via deferred payment, they essentially throw two years of income into one year. This in turn increases the amount of taxes due, significantly in some cases. There has been no change in the law, only a change in the IRS interpretation.

Legislation was introduced last year to provide that installment sales not be treated as preference with respect to the Alternative Minimum Tax. This language would have retroactively exempted farmers who entered into deferred payment contracts from being subject to Alternative Minimum Tax.

Unfortunately, this legislation did not pass. However, there is already a movement underway to pursue this issue again at the start of the next congressional session. Several senators from Iowa, North Dakota, Montana and Washington will introduce legislation in January to clarify that deferred payment contracts are not a tax preference item that subjects farmers to AMT.

Michigan Farm Bureau will be working to secure the support of Sens. Carl Levin and Spencer Abraham for this legislation. As you go through the process of completing your farm books and begin tax preparation, I encourage you to take a moment to let your respective U.S. Representative and both of our Senators know how vital these tax management tools are and what their loss will mean to your operation.

Jack Laurie

Jack Laurie, President
Michigan Farm Bureau

ORGANIZATIONAL BRIEFS

Environmental specialist joins Michigan Farm Bureau

Jefferson G. Edgens joined Michigan Farm Bureau on Dec. 2, 1996, as manager of Michigan Farm Bureau's new Environmental Department.

Edgens is currently completing his doctoral degree in Environmental Policy in the Department of Resource Development at Michigan State University. He will be finishing his degree in early 1997. Jeff received a Master's of Public Administration from the University of West Florida

and a Bachelor of Arts from Presbyterian College in Clinton, S.C. His educational experiences focused on state and local environmental policy, governmental action, land use planning, private property rights, coastal zone management and wetlands.

Jeff has served as adjunct instructor at Lansing Community College, Western Michigan University and Michigan State University. He has taught numerous classes focusing on governmental, environmental and natural resources policy.

A native of Georgia, Jeff has lived in Michigan since 1992. He currently resides in East Lansing with his wife, Karen, and young daughter, Savannah. ■

Livestock and grain marketing session to be held Dec. 19 in Frankenmuth

Cash crop and livestock producers can learn how to improve their market returns during a commodity marketing workshop Dec. 19 at the Frankenmuth Bavarian Inn.

Sponsored by Michigan State University Extension, the six-hour session will acquaint farm managers with how to develop a plan and use the market techniques that will be most advantageous to their farm businesses.

The discussion will focus on how to use market fundamentals and technical analysis for more profitable marketing, how to set and achieve market goals, how to use market tools to minimize financial risk, and how to develop a market plan that con-

tains only as much risk as the farm business can handle.

The program speakers will be Jim Hilker and Gerald Schwab, MSU Extension agricultural economists, and Fred Hinkley, MSU Extension livestock and marketing agent for Sanilac and Huron counties.

Workshop registration is \$15. Make checks payable to MSU Extension and mail to Farm Commodity Marketing Outlook Seminar, MSU Extension, 705 Adams Street, Saginaw, MI 48602-2192. The registration deadline is Dec. 16.

More information about the program can be obtained from Steve Poindexter, MSU Extension agricultural agent, by calling 517-799-2233. ■

Diehl elected President of 4-H Foundation

Ingham County Farm Bureau member Polly Diehl was recently elected president of the Michigan 4-H Foundation Board of Trustees.



Diehl will lead the non-profit public foundation which supports statewide 4-H programming, for the next two years.

Diehl is a past local

4-H leader, a Governor's Conference on Agriculture leader and a Mason Area United Way volunteer. She also serves as a director on the Ingham County Farm Bureau board of directors, the policy development committee and is the past county Farm Bureau membership chairperson.

The foundation, based in East Lansing, uses donations to support the work and training of 29,733 volunteers who lead 188,588 Michigan young people in youth development activities. ■

Hardisty named State Conservationist

Jane Hardisty, Assistant State Conservationist for NRCS in Indiana, has been selected as the new State Conservationist for the USDA Natural Resources Conservation Service in Michigan. She is filling the vacancy left by Carole Jett, who accepted a position in Washington, D.C. as Acting Deputy Chief for Soil Survey and Resource Assessment.

Hardisty was born and raised on a livestock and grain farm in southwest Indiana. She earned a bachelor's degree in Natural Resources, Geography and Biology from Ball State University and has been

with NRCS for 22 years.

The positions she has held with NRCS include Soil Conservationist, District Conservationist, RC&D Coordinator, Resource Conservationist, Area Conservationist, and Assistant State Conservationist. For the past three years Jane has served on the National Facilitation Cadre for Total Quality Management and for the last two years has served on the National Work Group with the National Association of Conservation Districts and National Association of State conservation Agencies. ■

Major fall surveys

As farmers finish harvesting corn and soybean crops, the Federal/State Michigan Agricultural Statistics Service will conduct three major surveys. To get the final story on 1996 crops, 11,000 Michigan farmers will be contacted on the 1996 Farm Report. Nearly 1,200 farmers will be asked to complete the December Agricultural Survey; 500 more will be contacted on the December Hog Report. Most selected farmers will receive a questionnaire in the mail. Some will be contacted by telephone or interviewed in person. These surveys will provide the data necessary for establishing final 1996 crop acreage, yield and production estimates and 1997 winter wheat and rye seedings. They will also provide current information on grain stocks, chicken inventory and hog inventory and farrowings.

Producers receiving either the December Agricultural Survey, December Hog Report or Farm Report in the mail are encouraged to complete and

return it promptly. This will eliminate the need for telephone or personal follow-up, thus keeping survey costs to a minimum. Individual reports from farmers are kept confidential and only summarized to set county, state, and national estimates of crop production and livestock inventories.

Published estimates from these surveys will keep everyone in the market equally informed. Users of these statistics include farmers and farm organizations, food processors, farm supply firms, exporters, foreign and domestic customers, transportation firms, and government agencies that manage farm programs and set farm policy. The Hogs and Pigs report based on the December Hog Survey will be released Dec. 27. The Crop Production Report based on the December Agricultural Survey will be released Jan. 10, 1997. County level estimates based on dates from these surveys will become available in the spring of 1997. ■

Milk price fixing charges

Some Minnesota dairy farmers claim that the state's largest milk processors fix wholesale prices paid to producers. The allegations have prompted the state's House Agriculture Committee Chairman Steve Wenzel (D) to call for hearings into the claims.

"They're tired. They're mad. They feel the system has been rigged for a long period of time," said Jeff Kunstleben, president of the Minnesota Dairy Producers Board. Kunstleben held a press

conference at the state capitol with other farming representatives. Last week, a former Marigold Foods manager said in court documents that processors fixed wholesale milk prices for at least six years. The Minnesota Food Association said consumer milk prices have steadily risen over the past 15 years while income for dairy farmers has dropped. They said that shows consumers and farmers are "victims of chronic flaws in the pricing system." ■

Milk label changes

New milk labeling rules issued by the Food and Drug Administration will change the way milk containers address the fat content of milk. The new rules will not allow 2 percent milk to carry the "low fat" label and will instead give the coveted "fat-free" title only to skim milk.

The changes are designed to bring dairy products more in line with the labeling of other foods, according to FDA. FDA rules allow "low fat" labels on products containing less than 3 grams of fat per serving. Two percent milk contains 5 grams of fat per serving.

Two percent milk will soon be referred to as "reduced fat" milk. One percent milk, which has 2.5 grams of fat per serving will carry the "low fat" label.

One consumer activist said most shoppers are confused by current milk labeling and he hopes the

new rules will help clear up the situation.

"People think that 2 percent milk is 98 percent less fat than regular milk," said Bruce Silverglade, director of legal affairs for the Center for Science in the Public Interest — the group that shined the spotlight on the unhealthy effects of movie-theater popcorn, Chinese food, Mexican food and mushroom cheeseburgers. "That means even more confusion when consumers try to tell the difference between 2 percent and 1 percent milk, because they say, 'It has 1 percent less fat than 2 percent, so why bother?'"

The FDA says one-glass-a-day milk drinkers who switch from 2 percent to 1 percent milk will cut fat intake by about 1 pound each year. Cottage cheese and other milk products will be covered under the new rules, but yogurt will not. ■

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Capitol Corner

For more information on legislative topics in the Michigan Farm News, call 800-292-2680.

STATE ISSUE

Employer/employee vs. landlord tenant

The Senate Agriculture and Forestry Committee took testimony on the five bill package concerning Employee Rent-Free Housing. Robert DeBruyn, a Farm Bureau member and vegetable grower and processor from Zeeland, was the only person presenting verbal testimony. Mr. DeBruyn is the farmer who took the issue of Employer-provided-housing to court and won, thus establishing the legal relationship of Employer/Employee vs. Landlord Tenant law. The bills were sponsored by Senator North, chair of the Agriculture and Forestry committee, and Senator McManus. Co-sponsors of the bills include Senators Gast, Gougeon and Schuette. Laws to be amended include the Public Health Code; the Revised Judicature act of 1961, Landlord Tenant act; Truth in renting act and the Michigan consumer protection act.

- The bills are:
- SB 1158 — EMPLOYEE HOUSING (McManus) Excludes employer's provision of rent-free housing to employees from truth in renting act.
 - SB 1159 — EMPLOYEE HOUSING (McManus)

Exempts employer's provision of rent-free housing to employees from landlord-tenant relationships act.

SB 1160 — EMPLOYEE HOUSING (McManus) Clarifies availability of summary proceedings to recover possession of premises for employers who provide rent-free housing to employees.

SB 1161 — EMPLOYEE HOUSING (North) Clarifies termination of tenancy rights of employers who provide rent-free housing to employees.

SB 1162 — EMPLOYEE HOUSING (North) Excludes employer's provision of rent-free housing to employees from Michigan consumer protection act.

The bills were reported out of the Senate Ag Committee with the recommendation that they pass. It is expected the bills will pass the Senate and be sent to the House Ag committee, chaired by Rep. Carl Gnodtke. The committee could consider the bills and report them out of committee prior to the end of the current session. The worst case is that they do not pass the House this session and the process starts all over again in January 1997. ■

STATE ISSUE

Uniform Condemnation Procedures Act

Senate Bill 778, sponsored by Sen. Mat Durnaskiss (R-Lake Orion) would amend the Uniform Condemnation Act by requiring the Michigan Department of Transportation to pay for the entire parcel if the remainder is adversely affected by the purchase of a portion of the parcel. The Department would be given the option to not receive title on the remaining parcel. The package would also allow the Department to seek a variance if the remaining parcel were nonconforming with local zoning.

In addition, the bill allows the Department access to tax returns and documents pertaining to the assessment of the property in question before entering into negotiations with the property owner. This information must be kept confidential. Finally,

the title could not be withheld from the agency unless there was a disagreement over necessity.

An MFB amendment was adopted in the House Transportation Committee to ensure the landowner receives, within 30 days, all the money currently deposited in escrow when there is a court dispute over just compensation. Currently, the landowner must wait until the title is transferred or until the time of possession by MDOT to receive the money deposited in escrow.

Senate Bill 778 is pending on the House floor waiting for action prior to the end of the current session.

MFB Contact: Tim Goodrich, ext. 2048. ■

STATE ISSUE

Youth employment standards act (detasseling)

Rep. Oxender introduced HB 5732 to expand the hours a minor 16 year or older may be employed in FARMING OPERATIONS INVOLVED IN THE PRODUCTION OF SEED OR IN agricultural processing for greater periods of time than current law allows.

The definition of "FARMING OPERATIONS INVOLVED IN THE PRODUCTION OF SEED" means farming activities and research involved in the production of seed, including plant detasseling, hand-pollination, roguing, or hoeing, and any other similar farming activity required for seed production.

The bill has passed the House and been re-

ferred to the Senate Agriculture and Forestry Committee where it is expected to be considered during early December. It is anticipated the bill will be favorably reviewed by the Senate Ag committee and reported to the Senate floor for consideration. The fate of this bill, and all others during the short lame duck session, is uncertain.

Michigan Farm Bureau supports this bill and testified to the effect that it is consistent with stated Farm Bureau Policy and provides the same youth employment opportunities for seed corn production that were recently made available for other agribusinesses. ■

Distinguished Service Citation given to long-time supporters of the National FFA Organization

The Distinguished Service Citation was given to three long-time supporters of the National FFA Organization at the 69th National FFA Convention, Nov. 14-16.

Kellogg Company of Battle Creek, Mich.; Moorman Manufacturing of Quincy, Ill.; and Sandoz Agro Inc. of Des Plaines, Ill. received the honor.

The Distinguished Service Citation is given to companies and organizations that have shown their support to FFA and agricultural education.

During its 38 years of support, Kellogg Company's contributions to the National FFA Foundation have helped create awareness of food industry opportunities among FFA members across the country.

Moorman Manufacturing received the FFA Distinguished Service Citation for its 38 years of support to agricultural education and the FFA. In addition to its financial support, the company has provided resource personnel for chapter, state and

national officer training. Many members have toured their facilities en route to the national FFA convention.

The support of Sandoz Agro Inc. is seen in FFA programs throughout the country. The company received the award for its 31 years of service to agricultural education and the FFA. It has supported the national organization financially and provided leadership for the National FFA Foundation, Inc.

FFA is a national organization of 452,885 members preparing for leadership careers in the science, business and technology of agriculture. The organization has 7,263 local chapters throughout the United States, Puerto Rico, Guam and the Virgin Islands. FFA's mission is to make a positive difference in the lives of students by developing their potential for premier leadership, personal growth and career success. Local, state and national activities and award programs provide opportunities for students to apply knowledge and skills acquired through agricultural education. ■

New Federal Milk Market Orders reduced from 32 to 10 under new proposal

A stable milk market would mean stable prices for consumers and producers, and according to Michigan Farm Bureau Dairy Specialist Kevin Kirk, the United States Department of Agriculture's (USDA) preliminary Federal Milk Market Order reform proposal should help meet that objective. USDA announced a proposal on Dec. 3 to reduce the number of Federal Milk Market Orders from 32 to 10 as mandated by the 1996 farm bill.

The Federal Milk Market Orders provide a mechanism to geographically match milk production with consumer consumption and make price adjustments to allow for transportation costs, according to Kirk. "That means costs to consumers nationwide are relatively consistent regardless of their location," Kirk says. "It also means that dairy products can be priced more quickly to reflect changes in costs of production, and it will allow faster movement of dairy products to areas in short supply."

Kirk says current fluctuations of 30 percent or higher in milk prices paid to producers is creating financial hardships for farmers who are attempting to meet their monthly cash flow requirements, and it causes a great deal of frustration among consumers who are confused as to why milk prices are fluctuating so wildly.

"If these new orders can be implemented, as proposed, it would help alleviate the price swings to consumers and the financial headaches for producers as well, who are receiving approximately 37 cents less per gallon for their milk," Kirk explained. "Current producer pay prices have plummeted from a summer high of roughly \$16.30 per hun-

dredweight to under \$12 per hundredweight in less than a three-month period."

MFB President Jack Laurie, a Tuscola County dairy farmer, called the preliminary federal order proposal "very significant" news for Michigan dairy producers, since the state was consolidated into the new Mideast order with Indiana, Ohio and Pennsylvania. He says the new order has a high fluid milk consumption, which means the state's producers will be paid accordingly.

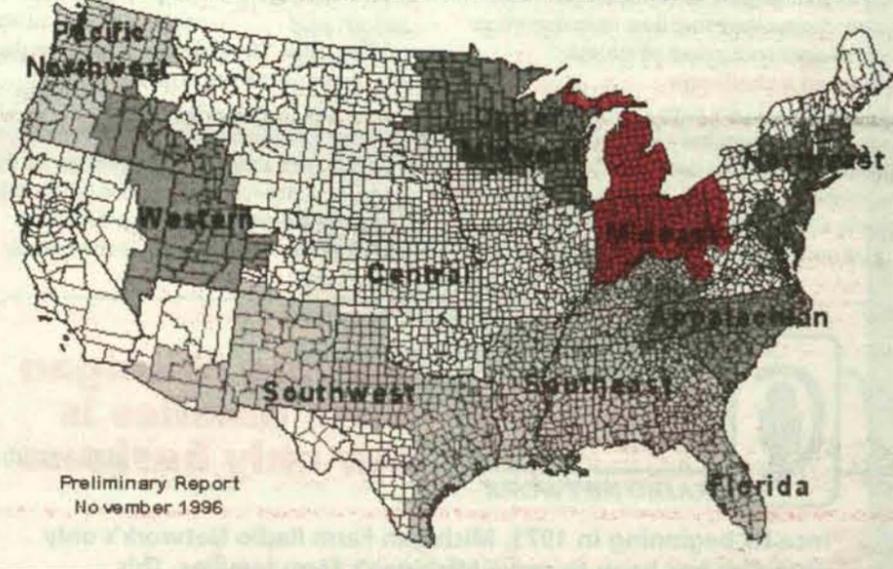
"The new orders really address the changes taking place in the marketplace, changes in technology, and the more efficient methods of moving milk than we had a number of years ago when the original orders were put in place," Laurie said.

Laurie predicts that the state's close proximity to major markets along with an abundant grain and forage supply could set the stage for major dairy expansion in the region, provided the preliminary orders are formally approved.

He cautions, however, that the proposals are just that — proposals that must go through several months of hearings before being formalized by July 1997. Full implementation of the new orders isn't scheduled until Jan. 1, 1999.

In the meantime, Kirk says the American Farm Bureau Federation is urging the USDA to implement a number of initiatives to soften the anticipated price drop to producers. "We're asking the USDA to step up any advance purchases on the school lunch program, as well as using the dairy export enhancement program to the maximum extent possible to help move the current over-supply of milk products." ■

SUGGESTED ORDER CONSOLIDATION



Wisconsin senators bemoan milk marketing plan

The Agriculture Department's plan to reduce the number of federal milk marketing regions to 10 isn't popular with the two senators from the Dairy State. Wisconsin Senators Russell Feingold (D) and Herb Kohl (D) say the proposal to reduce the number of regions from the current 32 doesn't provide regional fairness in establishing a pricing system. They say Wisconsin and the rest of the Upper Midwest will suffer.

The Agriculture Department followed directives from the 1996 farm bill in changing the marketing region makeup. Under the new proposal,

Wisconsin, Minnesota and the Chicago region would become one marketing region.

"Consolidation of orders will be meaningless if the Upper Midwest continues to receive the lowest prices for fluid milk while other regions enjoy significant and artificial advantages," Feingold said. He said he will urge Agriculture Secretary Dan Glickman to implement price reforms to help increase Wisconsin's dairy farm income.

Kohl said Glickman promised him last year that the farm bill would be used to achieve better regional equity in milk pricing policies. ■

1997: Lower grain prices, increased beef prices

Recently, experts at the 19th Agricultural Outlook Conference in Hays, Kan., said 1997 will likely bring lower corn and wheat prices, while beef prices will continue a slight recovery.

Speakers said wheat prices will probably level off to around \$3 per bushel, way below the \$7-per-bushel record levels the wheat markets hit last spring; and corn will drop to between \$2.25 and \$2.35 per bushel — off from \$5 prices also witnessed in the spring. The record prices were caused

by tightening world stocks that were somewhat loosened by good harvests in Argentina, Europe and Canada.

Although the cattle slaughter is expected to remain high, keeping prices paid to producers below traditional break-even levels, cattle growers in Western Kansas should expect an additional \$2 per hundredweight for fed-choice steers, according to a Kansas State University economist. ■

MABA Winter Conference — something for everyone

Looking for the latest information pertaining to trucking rules and regulations? How about the consequences of the controversy surrounding hedge-to-arrive contracts? Perhaps you're curious about how well the relatively new Bt corn performed last year. If so, the 64th annual Michigan Ag Business Association's (MABA) Annual Winter Conference and Trade show should be on your list of must-attend programs this winter season.

Scheduled for Jan. 13-16 at the Lansing Center in Lansing, the show promises four days of concurrent workshops with something for everyone, according to MABA Executive Director Jim Byrum. "The planning committee worked to develop a list of workshops that have application for both the farm retail business as well as the producer," he says. "All of these topics have implications for producers both from a business planning standpoint and from an agronomic point of view as well."

In addition to an impressive workshop lineup, an expanded trade show offers over 100 commercial exhibits. An abbreviated schedule includes:

Monday

Personnel and Benefits — Worker Compensation, Drug and Alcohol Testing, Health Insurance, Compensation Strategies to Keep Good People

Finance and Agri-Business — How to Obtain and Maintain Adequate Financing, Credit Management, Cash Management, Managing Your Bank Relationship

Monday trade show hours — 5 to 7 p.m.

Tuesday

Customer Service — Treating Customers So They Keep Coming Back, Handling Complaints and Problems, Telephone Etiquette, Your First Line of Communication

Agri-Business Regulations — Brake and Light Exemptions for Implements of Husbandry, Avoiding Common Violations, CDLs and Seasonal Exemptions, Secondary Fertilizer Containment, Proposed Changes to Michigan Fertilizer Law, Proposed Anhydrous Ammonia Safety Regulations, Sales Tax Issues

Business Issues and Opportunities — Grain Issues, Fallout from the Hybrid Contract Problem, Transportation Update, New Realities in the Dry Bean Market

Weed Management in Field Crops — ALS Resistant Weeds, Why Weeds Differ in Response to Herbicides, Herbicide-Resistant Crops Impact, Future Impact of Herbicide-Resistant Crops

Fruit Culture and Management — Low Input Cherry Production System, Blueberry and Grape Disease Control, Reduced Chemical Input in Apple and Peach Production, New Developments in Fruit Thinning

Vegetable Culture and Management Update — Vegetable Disease Control, Mechanical Harvesting of Vegetable Crops, Nitrogen Application Based on Soil Nitrate Levels, Vegetable Weed Control Update, Nematode Control in Vegetable Production

Tuesday Trade Show Hours 10 a.m. to 3 p.m.

Wednesday

Insect and Disease Management in Field Crops — Bt Corn and European Corn Borer, What Did We Learn from the European Corn Borer Outbreak in 1996?, Yield Comparison of Transgenic Bt Corn, 1996 Disease Update

Environment and Human Safety — Controlling Spray Drift, Modifying Michigan's Drain Code, Understanding the Great Lakes Initiative,

Endocrine Disrupters

Site Specific Agriculture — Using GPS, Is Site Specific Management Practical?, Soil Sampling for Site Specific, Yield Monitors, Evaluating the Economics of Site Specific

Field Crop Management — Managing Soil Compaction, Narrow Row Corn and Soybeans, Record Keeping and Nutrient Management Programs, Weather Patterns for Michigan

Michigan Pork Alliance Update — Trends and Future of Pork Industry, A Packer's Perspective, The Impact of Land Use Planning

1996 Michigan Wheat Review — Vomoxins and Our Future, The Fate of the 1996 Crop, Scab Inoculum Sources, Variety Breeding Programs and Cultural Practices, Chemical Control of Scab, Test Sampling and Credibility

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Southern Thumb Co-op contracts with Michigan Ag Commodities for marketing activities

Continued from front page

In a letter to growers, MAC President Herm Geers outlined to producers that no deductions, other than quality discounts, would be deducted without the growers' written consent.

According to Les Dale, Southern Thumb's chief financial officer, it still benefits the co-op if a member conducts their grain business there. "There is still an advantage to the co-op because the co-op gets a share of the selling margin from that grain," Dale explains.

Response to the MAC agreement has been met with good support, according to Ryan. "At our Marlette elevator there have been many days where there has never been a truck off the scale."

Taking on a challenge

"When Les and I first came in, we saw there were challenges because we had a significant amount of negative equity that was owed to us by our growers," further explains Ryan. "While the situation was certainly difficult and stressful, we felt that the majority of our growers believed that they had an obli-



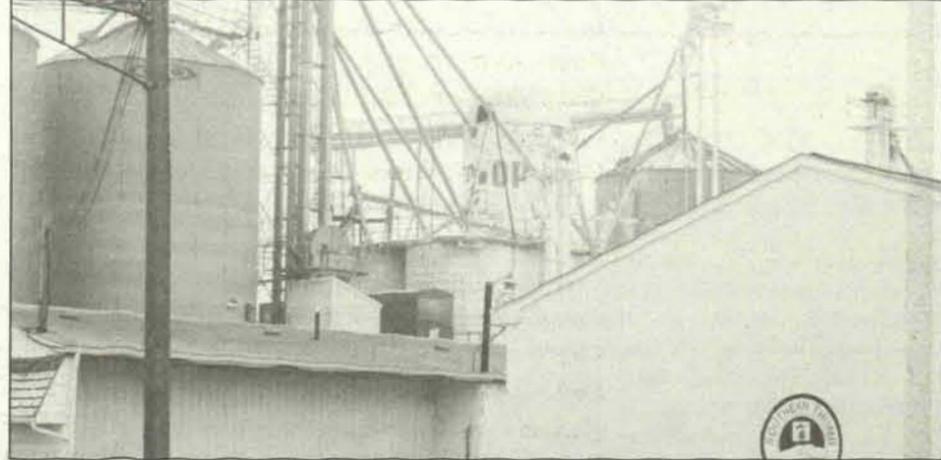
Tom Ryan,
General Manager

gation to the co-op to repay either all or a significant part of the negative equity."

According to Ryan and Dale, the new management had been working with both the growers and their banks on arrangements to repay money owed to the co-op.

"It was not in the coop's interest to financially injure our customers," Ryan states. "We need those customers in the future. So we're trying to get a program that would fit their personal financial needs. We seemed to have very good momentum in place until the CFTC filing came along and at that point we felt that we needed to stop further negotiation on this with our growers and even stop reducing the moneys from the grower's check that had been previously

authorized in writing until we get a clarification of which way the CFTC is going to go."



The main offices of the Southern Thumb Co-op in Lapeer.

authorized in writing until we get a clarification of which way the CFTC is going to go."

According to John Phillips, in the Commodity Futures Trading Commission's office of public affairs, it may take quite a long time before the CFTC rules on the complaint filed against the co-op.

"It's really hard to put a time on it, because it just depends on how complex or how far the administrative law judge is into a present case and what's coming up right behind that. The judge will render a decision and if any of the parties want to appeal that decision, then it comes back to the commissioners of the CFTC," Phillips says.

"The CFTC allegations are not about hedge-to-arrive contracts per se, which was the main program that Southern Thumb had in place the previ-

ous year," explained Ryan. "A portion of the negative equities that were generated as a result of the use of options and some other things that the CFTC alleges are not within the proper trading limits and so where we are right now is trying to figure out how much were strictly hedge-to-arrives, how much were the options, and also we're trying to determine if their interpretation at the CFTC is correct."

Ryan adds, "It is sort of ironic that a small co-op like Southern Thumb would be selected by the CFTC when many, many companies, both co-ops and non co-ops across the country, certainly much larger high profile companies, were left off that list, we feel that we were sort of unfairly singled out and we're not sure why at this point." ■



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Station	City	Frequency	Morning Report	Noon Report
WABJ	Adrian	1490	5:45 am	11:05-12:00 pm
WATZ	Alpena	1450	5:30 am	11:30 am
WTKA	Ann Arbor	1050	6:05 am	12:00-1:00 pm
WLEW	Bad Axe	1340	6:30 am	12:50 pm
WHFB	Benton Harbor	1060		12:15 pm
WKJF	Cadillac	1370	5:45 am	11:10 am
WKYO	Caro	1360	6:15 am	12:10-1:00 pm
WTVB	Coldwater	1590	5:45 am	12:00-1:00 pm
WDOW	Dowagiac	1440	6:05 am	12:15 pm
WGHN AM	Grand Haven	1370	5:45 am	12:15 pm
WGHN FM	Grand Haven	92.1	5:45 am	12:15 pm
WPLB	Greenville	1380	6:15 am	11:50 am
WBCH	Hastings	1220	6:15 am	12:30 pm
WCSR	Hillsdale	1340	6:45 am	12:45 pm
WHTC	Holland	1450		12:15 pm
WION	Ionia	1430	6:45 am	12:30-1:00 pm
WKZO	Kalamazoo	590	5:00-6:00 am	12:00-1:00 pm
WPLB FM	Lakeview	106.3	6:15 am	12:15 pm
WOAP	Owosso	1080	7:15 am	12:40 pm
WHAK	Rogers City	960		12:15 pm
WSJ	St. Johns	1580	6:15 am	12:05-1:05 pm
WMLM	St. Louis	1520	6:05 am	12:20 pm
WSGW	Saginaw	790	5:55 am	11:30-12:30 pm
WMIC	Sandusky	660	6:15 am	12:45 pm
WKJC FM	Tawas City	104.7		12:40 pm
WLKM	Three Rivers	1510	5:45 am	12:15 pm
WTCM	Traverse City	580	5:45 am	11:10 am

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STEP
1
Purchase STS soybeans

- | | | |
|--|--|--------------------------------------|
| Ag Seeds | Hoblit Seed Co. | Pioneer Hi-Bred International, Inc. |
| AgraTech Seeds Inc. | Hoegemeyer Hybrids | Prairie Seed Company |
| Agrinetics, Inc. | Hoffman Seeds, Inc. | Professional Seed Associates |
| AgriPro Seeds | Hubner Seed Co., Inc. | Ray-Carroll Seeds |
| AgVenture D & M Seeds, Inc. | ICI Seeds | Rosen's Inc. |
| Asgrow Seed Co. | IMC AgriBusiness Inc. | Rovey Seed Co. |
| Beck's Superior Hybrids | Interstate Payco | Rupp Seeds, Inc. |
| Bergmann-Taylor, Inc. | The J. C. Robinson Seed Company/Golden Harvest | Sands of Iowa |
| Bo-Ca Enterprises, Inc. | Kitchen Seed Co. | Sansgaard Seed Farms, Inc. |
| Brown Seed Enterprises | Langdon Bros. Seed Corp. | Schlessman Seed Company |
| Callahan Seeds | LaPorte County Seed Service | Scott's Quality Seeds |
| Campbell Seeds | Latham Seed Company | Shur Grow |
| Cenex-Land O' Lakes | Lewis Hybrids, Inc. | Sieben Hybrids, Inc. |
| Champaign Landmark, Inc. | LG Seeds, Inc. | Sommer Bros. Seed Co./Golden Harvest |
| Chemgro Fertilizer Co. Inc. | Marlin Wilken & Sons Seeds | Star Seed Inc. |
| Co-op Seed, Inc. | Mellow Dent Seed, Inc. | Stine Seed Company |
| CountryMark Cooperative, Inc. | Merschman Seeds | Stone Seed Farm, Inc. |
| Dairyland Seed Co., Inc. | Midland Seeds, Inc. | Stoner Seed Farms, Inc. |
| Davis Seed Company | Midwest Seed Genetics, Inc. | Sun Ag Inc. |
| DeKalb Plant Genetics | Moweaqua Seed Company | Sunstar Hybrids |
| Delta and Pine Land Company | Munson Hybrids | Terra Industries Inc. |
| Diener Bros. Seeds | Mycogen Seeds | Thompson Seed |
| Fontanelle Hybrids | NC+ Hybrids | Thorp Seed Company/Golden Harvest |
| F/S Seed | NeCo Seeds | Trisler Seed |
| Golden Seed Co., L.L.C./Golden Harvest | Niccum Seeds | United Agri-Products |
| Great Heart Seed | Osborn Seed | Van Horn Hybrids, Inc. |
| Great Lakes Hybrids | Ottillie Hybrids | Wellman Seeds, Inc. |
| Griffith Seed Company | Parke Seeds, Inc. | Wilken Seed Grains, Inc. |
| Gutwein Seeds | Patriot Seed, Inc. | Wilson Seeds, Inc. |
| Hill Seed Company | Pierson Seed Producers, Inc. | |

STEP
2
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STEP
3
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Synchrony STS[®]
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Market Outlook

by Dr. Jim Hilker,
Department of
Agricultural Econom-
ics, Michigan State
University



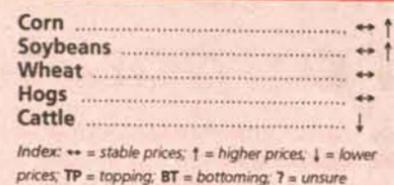
CORN

After all of the "trouble" throughout the Corn Belt over the growing season, the U.S. ends up with a "trend corn yield." The problem with the above statement is it implies even yields across the country, which was far from the case. After a late spring almost everywhere, conditions became quite good from the middle of Illinois west, and continued to be poor east of Illinois. Michigan, being east, fared poorly with a yield of 94 bushels per acre, over 20 bushels below trend.

The November *Crop Report* showed the average yield for the U.S. to be 126.5, the third highest ever. As shown below, in the second column of Table 1, this leads to a 9.265 billion bushel crop. And, even after the relatively strong use projected by the USDA, ending stocks are projected at 1.1 billion which will be more than adequate unless there are problems with next year's corn crop. The one disappointing number is exports. After last year's great exports, even with high prices, it may seem odd to have lower exports with lower prices, that shows the importance of rest-of-the-world production on our exports in the short-run.

The third column in Table 1 shows my initial projections for the 1997-98 corn marketing year. Even with a conservative planted acreage number and very strong projected demand, ending stocks are projected to grow. What these projections show

Seasonal Commodity Price Trends



is that until and unless we have crop problems next spring, don't look for another price year like last year. A rally this winter may give us a good pricing opportunity for next fall. Right now, December 1997 corn futures are near as high as 1996 and the supply/demand situation in my estimation would call for lower prices than this fall.

The corn basis is tight and the futures are telling us not to pay storage. This means no one should be paying commercial storage; if you are, either sell now or move to a basis contract if you want to stay in the market for a possible rally.

WHEAT

The wheat market looks pretty stagnant and the futures indicate the market will not pay for storage into next year. My assumption is that most people have sold out their 1996 wheat crop. This means that it is time to start looking at the 1997 crop, and we do this by looking at a possible scenario for the 1997-98 crop year, which is shown below in column three of Table 2. I assume acreage near this year's level and a trend yield. On the use side, I would expect somewhat lower feed use this next summer with lower expected corn prices and somewhat higher exports as world demand grows and the rest of the world has a normal yield. This analysis shows ending stocks will grow.

What this means is that prices will probably be lower next year than this year. What it also shows is that prices may be higher than \$3.36, which July 1997 futures are showing right now. This says to me, while there are still downside risks, we might as well wait to do any forward pricing.

SOYBEANS

It now appears the U.S. will have the second highest soybean yield ever at 37.9 bushels per acre. Once again, Michigan did not share in this bounty as we are expected to yield a poor 29 bushels per acre compared to a trend of 38 bushels. The difference with soybeans is that ending stocks are still expected to be tight as shown in the second column of Table 3.

Even as we look at a projection for the 1997-98 crop year, it does not appear that ending stocks will grow quickly and the futures markets reflect this by staying in the mid \$6 range through November 1998 futures. At this point, I would hold off pricing any further 1997 crop, but I would be looking for opportunities this winter if there are problems in South America.

The shorter-term question is what to do with our remaining 1996 soybeans. The basis is very tight and the futures say there will be negative returns to storage, i.e., July futures are below January futures. This says, give the beans to the market and stay in the market either with a basis contract or by purchasing a call.

CATTLE

The November *Cattle-On-Feed Report* showed high placements again in October, making up for the lack of placements last spring. The 11 percent higher placements, along with the 7 percent fewer marketings in October, put on-feed inventories 1 percent higher than a year ago in the Seven-state report. This means a lot of cattle will be coming to market sometime soon. This is because many of the placements over the last several months have been more mature calves due to the lack of placements last spring.

There are the questions of when and how fast? My best guess is by the first of the year, if not already, we will be feeling the effect in the form of lower prices. These lower prices in the mid-60s are likely to last through the spring. What this says for marketings is to stay current, but this doesn't mean green. In Michigan we are enjoying a premium and that premium has to do with the need for choice cattle by eastern packers. So bring the cattle to generally choice, but not fat.

HOGS

We have had a nice recovery in the nearby hog futures and we are liable to have even higher futures than we are now seeing for the months falling in the first half of next year. This is due to the projected supply at this time, which is being affected by what seems to be expansion. Fewer sows and gilts coming to market helps nearby supply and therefore prices and that is why I feel live hog prices may stay in the mid-\$50s through spring — which is more than the futures are offering now. If the carcass-based futures do start to reflect live prices in this area, consider some forward pricing.

The next *Hogs and Pigs Report* is due out Dec. 27. This should help us determine when the expansion will hit the market. The expansion will push prices back into the low \$40s which is where the futures has them pegged. So at this point, I don't see any great long-term forward pricing opportunities.

DAIRY OUTLOOK

by Dr. Larry G. Hamm

The U.S. dairy industry made history in 1996 in many ways. For the first time in the life of the price support program, the CCC had no surplus dairy products in storage. The industry saw the first fluid milk futures contracts. In September, the Basic Formula Price (BFP) reached its highest level in the 35-year history of this basic milk price. Unfortunately, on Dec. 5, the dairy industry will likely see another historic event — the single largest drop in the BFP.

The record September BFP of \$15.37 per hundredweight (cwt.) pre-ordained that when the markets turned around there could likely be some large drops in the BFP. The overall farm milk supply and demand situation seemed to indicate that any drop in the BFP would be gradual and that the eventual bottom would be higher than the lows in recent years. Unfortunately, the BFP does not respond to the basic firm milk supply and demand situation nationally. Rather it responds to the wholesale price of cheddar cheese as measured by trading on the National Cheese Exchange in Wisconsin. Therefore, it is the fundamentals and psychology of the cheese markets that determines the BFP.

The fundamentals of the cheese markets crept up on many industry analysts. Throughout the summer many plants were struggling to find milk. Simultaneously, commercial sales of dairy products continued to expand. The most recent USDA commercial disappearance estimates show that though September sales of American cheeses were up 3.6 percent, sales of other natural cheeses were up 2.3 percent. During this period, cheese manufacturers were building inventories. At the end of October, natural cheddar cheese inventories had built to impressive levels. Current inventories stand at almost 375 million pounds of American type cheeses; 3 percent above September and 20 percent above October 1995. The fundamentals suggested that the cheese markets were going to soften.

As too often happens in agricultural markets, the psychology of the markets has temporarily trampled cheese market fundamentals. When the first hint of wholesale cheese market weakness hit, cheese buyers quit buying. In classic fashion, weak markets made themselves weaker and wholesale cheese prices dropped nearly \$0.40 per pound for the benchmark 40 pound blocks on the NCE. A simultaneous process took over butter trading. The result is that the BFP will crash.

The October BFP fell \$1.24 from September's record. The November BFP will set a new record for a one-month decline with a drop of \$2 per cwt. or more — a new historic level. The psychology of the cheese markets will predictably lead to psychological depression on Michigan dairy operations. The fundamentals of the dairy markets will not sustain the upcoming price levels for long. Dairy markets will recover next year.

EGGS

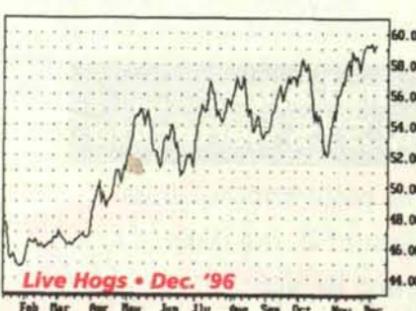
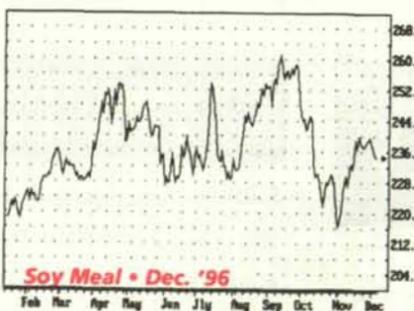
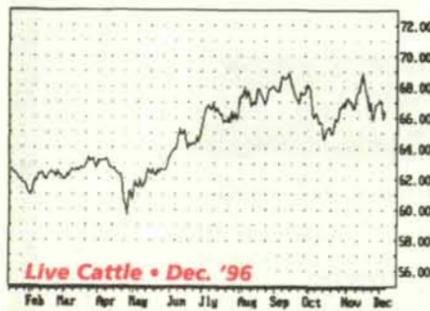
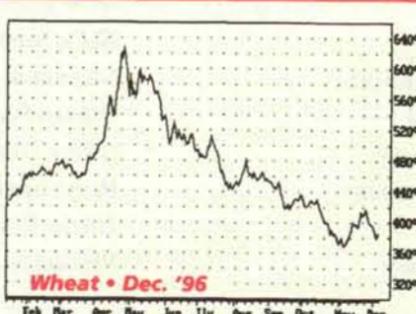
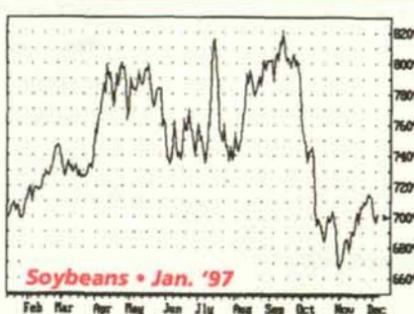
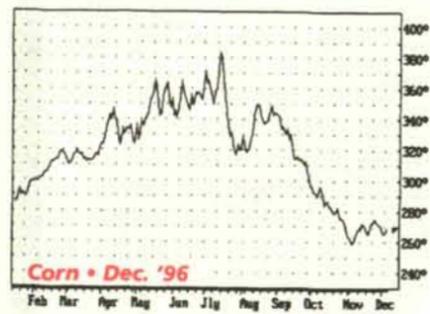
by Henry Larzelere

Egg prices in November averaged about 12 cents a dozen over a year ago. For a change, feed ingredient costs had dropped to 1 cent per dozen eggs below November 1995. This is the first month feed ingredient costs for a dozen eggs has dropped below the year before since June 1995.

It is expected that New York wholesale egg prices for Grade A large white eggs will average in the low 90s in December. In the first 3 months of 1997, the average prices will be in the upper 80s.

On Nov. 1, the number of hens and pullets on farms in the U.S. was up 2 percent from a year ago. Egg production in October was up about 4 percent

COMMODITY PRICE TRENDS



Source: Knight Ridder Financial

COMMODITY SUPPLY/DEMAND BALANCE SHEETS

Table 1 — Corn

(Million acres)	Estimated 1995-1996	Projected 1996-1997	Hilker 1997-1998
Acres set-aside/diverted	6.2	0.0	0.0
Acres planted	71.2	79.6	81.5
Acres harvested	65.0	73.3	75.0
Bu./harvested acre	113.5	126.5	129.0
Stocks (million bushels)			
Beginning stocks	1,558	426	1,107
Production	7,374	9,265	9,675
Imports	16	11	8
Total supply	8,948	9,702	10,865
Use:			
Feed and residual	4,711	4,975	5,200
Food/seed & Ind. uses	1,583	1,670	1,790
Total domestic	6,294	6,645	7,190
Exports	2,228	1,950	2,300
Total use	8,522	8,595	9,490
Ending stocks	426	1,107	1,375
Ending stocks, % of use	5.0	12.9	14.5
Regular loan rate	\$1.89	\$1.89	\$1.89
U.S. season average			
Farm price, \$/bu.	\$3.24	\$2.70	\$2.40

Table 2 — Wheat

(Million acres)	Estimated 1995-1996	Projected 1996-1997	Hilker 1997-1998
Acres set-aside & diverted	5.2	0.0	0.0
Acres planted	69.2	75.6	75.5
Acres harvested	61.0	63.1	65.0
Bu./harvested acre	35.8	36.3	38.0
Stocks (million bushels)			
Beginning stocks	507	376	435
Production	2,182	2,282	2,470
Imports	68	70	65
Total supply	2,757	2,728	2,970
Use:			
Food	884	910	920
Seed	104	108	110
Feed	152	325	270
Total domestic	1,140	1,343	1,300
Exports	1,241	950	1,170
Total use	2,381	2,293	2,470
Ending stocks	376	435	500
Ending stocks, % of use	15.8	19.0	20.3
Regular loan rate	\$2.58	\$2.58	\$2.58
U.S. season average			
Farm price, \$/bu.	\$4.50	\$4.30	\$3.50

Table 3 — Soybeans

(Million acres)	Estimated 1995-1996	Projected 1996-1997	Hilker 1997-1998
Acres planted	62.6	64.3	64.5
Acres harvested	61.6	63.4	63.5
Bu./harvested acre	35.3	37.9	38.0
Stocks (million bushels)			
Beginning stocks	335	183	210
Production	2,176	2,403	2,413
Imports	5	4	7
Total supply	2,516	2,590	2,630
Use:			
Crushings	1,370	1,390	1,400
Exports	851	870	870
Seed, feed & residuals	112	120	120
Total use	2,333	2,380	2,390
Ending stocks	183	210	240
Ending stocks, % of use	7.8	8.8	10.0
Regular loan rate	\$4.92	\$4.97	\$4.97
U.S. season average			
Farm price, \$/bu.	\$6.77	\$6.50	\$6.30

Source: USDA and Jim Hilker

Business Strategies

by **Ralph E. Hepp**, Extension economist, Department of Agricultural Economics, Michigan State University

Self-employed persons and their employees have access to tax-sheltered retirement plans on a basis similar to corporate employee plans. Tax laws allow self-employed individuals to establish a retirement fund for themselves and their employees by setting aside part of their current income and deferring federal income taxes on the contribution. Under these plans, tax benefits accrue in two ways: (1) amounts contributed into a retirement fund is tax exempt in the year of contribution, and (2) earnings on the contributions are not subject to tax until withdrawn.

Payment of income taxes is not forgiven, but deferred until retirement years when the money is withdrawn from the fund. However, self-employed individuals and employees, maybe in a lower income tax bracket during retirement due to lower earnings or entitled to retirement income credits. Growth of the retirement money is not restricted by income taxes during the contribution years.

Three alternatives are available for establishing a tax-sheltered retirement program by self-employed persons — Keogh plan, Individual Retirement Account (IRA), or Savings Incentive Match Plan for Employees (SIMPLE). The rules under each plan are briefly explained. The rules for corporate plans (401k) are also covered.

Keogh Plan

Self-employed individuals can participate in Keogh retirement plans whether operating as a proprietor or a partner in a partnership. The business entity establishes the Keogh plan for the owners and employees, therefore, the proprietor or partners may not establish a plan for themselves. Owner-employees are defined as self-employed individuals who own a proprietorship, or in the case of a partnership, a partner who owns more than a 10 percent interest in the partnership capital or profits. A partner who does not own more than 10 percent of the business is permitted to participate in a retirement plan set up by the partnership. Because they are not owner-employees, the special requirements applicable to plans covering owner-employees do not apply to them. In order for a person to be considered self-employed, personal services must be performed for the business. Mere financial backing of a business does not mean that one is self-employed. Generally, all self-employed individuals subject to the self-employment tax can establish Keogh plans.

Owner-employees who wish to establish Keogh plans for themselves must provide benefits for full-time employees who have worked for the business more than one year and are 21 years of age or older. Part-time and seasonal employees may be excluded from the plan and are defined as employees working fewer than 1,000 hours in the business year. Generally, if a self-employed person is required to provide retirement plan benefits for an employee, the percentage of the employee's earnings that must be contributed is the same as the percentage that the self-employed individual contributes in their account. For example, if an owner-employee contributes 15 percent of their net earnings to the plan, 15 percent of employee pay must be contributed to a retirement account for the employee.

The two main types of plans are defined contribution plans, a fixed percentage rate of earnings or compensation, and defined benefit plans, a defined benefit at retirement.

Under a defined contribution plan, an individual account is established for each person in the plan. Benefits are based on the amount contributed to each account, and any income, expenses, and gains and losses from the investments are allocated to the account. Defined contribution plans may take many forms including profit-sharing plans, a percentage of the profits; a money purchase plan, which provides for fixed employer contributions with the participant to receive whatever benefit his or her accumulations will buy; and target benefit plans, which aims at providing a certain benefit, but does not actually promise a target benefit. The main principle of all these plans is a constant percentage rate of contribution.

Defined benefit plans have a set benefit at retirement and the contributions vary during the working years so the fund has enough money to pay the established benefits. The benefit is limited to the lesser of \$120,000 in 1995, annually adjusted for inflation, or 100 percent of the participants average compensation for the highest three consecutive

Tax-sheltered investments for self-employed and corporate owners

calendar years. If the defined benefit plan has promised a set amount at retirement, the employer must actually pay enough into the plan to satisfy the minimum funding standard for each year.

The maximum amount of contribution to a defined contribution plan, in general is the lesser of \$30,000 or 15 percent of earnings or compensation. In some cases, 25 percent of earnings or compensation may be contributed to the plan. The maximum compensation that can be taken into account for the limits is generally \$150,000. Earnings are the net earnings from the self-employment if personal services are actually rendered to the business. Capital gain income is not part of earned income.

The method of funding a Keogh plan, in most cases, is through established master plans developed by an insurance company, a mutual fund, a savings institution, or a trade or professional organization. A large business could establish its own plan, but most small businesses will adopt an established plan which has been approved by the Internal Revenue Service.

Individual Retirement Account (IRA)

An individual who receives compensation from wages, or earned income in the case of a self-employed individual, that is includible in gross income for income tax purposes may establish and make contributions to his or her own individual retirement account (IRA). The plan allows an individual to annually deduct contributions of 100 percent of earned income up to a maximum of \$2,000 if the taxpayer is not covered by an employer's retirement plan. If a taxpayer participates in an employer-sponsored retirement plan, the maximum \$2,000 tax deduction can be taken if the adjusted gross income from all income sources is less than \$40,000 for a married taxpayer filing a joint return (\$25,000 single return). No deduction is allowed for incomes above \$50,000 (\$35,000 single) with a phase-out of the IRA deduction between these amounts.

A married couple, both employed in the business and with sufficient compensation, can contribute \$4,000 per year and receive a taxable income reduction for this amount. If one spouse is not employed, the tax deductible contribution for the nonworking spouse can be up to \$2,000. Prior to 1997, the maximum spousal contribution was \$225. The IRA rules do not require an employer to establish a retirement plan for employees, or, under IRA rules the employer can establish a retirement fund for one employee without extending that privilege to all other employees.

A trust fund or custodial account can be established by transferring money to a trustee to invest for the individual's benefit. In most cases, a bank, trust company, investment firm, or other financial institution would be utilized, but other individuals can be trustees if the money is held in accordance with IRS rules. Many alternative investments are possible, such as stocks, bonds, mutual funds, and savings accounts. It is possible for the owner-employee to control the investment policy, if that power is retained. While the owner-employee may direct the trustee or the retirement fund in detail as to investment of the money, the individual is prohibited from dealing with the trust itself if more than 50 percent of the business is owned individually or in conjunction with other owner-employees.

Savings Incentive Match Plan for Employees (SIMPLE)

To encourage employers to provide retirement benefits for employees under a less complicated arrangement than a Keogh or corporate plan, the law provides for a savings incentive match plan for employees. SIMPLE plans can be adopted by employers who employ 100 or fewer employees with at least \$5,000 in compensation for the previous year and who do not maintain another employer-sponsored retirement plan. A SIMPLE plan can be either an individual retirement account (IRA) for each employee or part of a qualified cash or deferred arrangement (401k plans).

A SIMPLE plan is open to self-employed individuals of a proprietorship and partnership, as well as employees of a corporation. The business entity establishes the plan, not the self-employed individual.

The employer is required to satisfy one of two contribution formulas: the matching contribution formula or the 2 percent contribution option. Under the matching contribution formula, the employer must match employee elective contributions on a dollar-for-dollar basis up to 3 percent of the employee's compensation. Instead of the 3 percent match, the employer can elect a matching contribution of not less than 1 percent of each employee's compen-

sation, but not more than two out of any five years. An employer must notify employees of the lower match with a reasonable time before the 60-day election period for the year in which the election is chosen.

Instead of making matching contributions, an employer can make a 2 percent of compensation nonelective contribution on behalf of each eligible employee, but not more than \$150,000 can be taken into account for any employee. If this alternative is chosen, the employer has to notify employees of the change before the 60-day election period for the year. No contributions other than these two types can be made to a SIMPLE account.

The rules for a SIMPLE plan are effective for years beginning after December 31, 1996. The prior-law rules for salary reduction simplified employee pensions (SEP plans) no longer apply for retirement plans established after Dec. 31. SEP plans in effect prior to Jan. 1, 1997 can continue.

Corporate Plans

If the business is incorporated and pays its own income tax, the corporation can establish a tax-sheltered retirement program for its employees. All full-time employees must be included in the plan if the employee is 21 years of age or older and has at least one year of service with the employer. Part-time workers may be excluded and are defined as

those who have worked fewer than 1,000 hours during a year of service.

The basic types of employee retirement plans are pension, profit-sharing, stock bonus, and SIMPLE plans. Pension plans are long-term commitments by the corporation to support the plan financially in good times and bad as long as the plan continues. The funding rules are designed to ensure that a plan will have sufficient funds to pay a promised benefit.

Another option is a profit-sharing plan, whereby, the employer contributes a share of net earnings to the employee's retirement program. The employer may deduct up to 15 percent of the employee's compensation and contribute the funds to a retirement plan. The employer can decide annually (by the board of directors), whether a contribution is made and the percent to be contributed. There is not a fixed commitment that must be made each year to the retirement program, like a pension plan.

Another option for a corporate retirement program is a stock bonus plan. Under this alternative, the corporation contributes stock or securities in the company to the employee's retirement program. The corporate stock must be exchangeable on a ready market, or a cash distribution system established for the value of the stock, if not readily

Continued on page 15

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Department of the Treasury Internal Revenue Service
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Form 1040, Form 1041, or Form 1065

A Principal business		
C Business	26a Rent or lease (see page F-4): a Vehicles, machinery, and equipment	26a
	b Other (land, animals, etc.)	26b
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1997 price projections? — Nothing like 1996

If you're holding out for \$5 corn to sell your 1996 crop, you could be holding onto your crop for quite some time, according to Michigan State University Ag Economist Jim Hilker. Speaking during a recent farm credit conference in Lansing, Hilker says that with a 15 percent stock carryover, storing your 1996 corn would be ill-advised.

"We're now in the \$2.50 to \$2.60 range, which is where fundamentals would put us now that we have more information," Hilker suggests. "While I think the market may work up a little over the next year, the markets are telling us not to pay storage, especially commercial storage, and perhaps even on-farm storage."

Hilker recommends that producers wanting to stay in the market should sell cash and go to a basis contract to minimize risk and still take advantage of any positive price moves. He added that last year's historically high prices, due to high worldwide demand and a short crop, aren't likely to be repeated again this year.

His advice for soybeans is pretty much the same as corn, although he feels there may be more up-side potential since carryover stocks will still be lower than normal and weather may impact the South American crop. Even so Hilker doesn't recommend storing soybeans, since the 1996 crop was the second highest ever despite the weather problems. He cautions against holding out for last year's market highs, predicting that 1997 average prices

will fall in the \$6.30 range.

"I'd vote for finishing off my old crop soybeans as well as looking at pricing new crop soybeans. There's some good pricing potential right now for new crop," he advises. "Don't be scared to price next year's crop. When you have an abnormal year, like we did last year, you don't want to be making your pricing decisions for the next five years based on it."

Hilker expects wheat prices to remain at their current levels, too. Although the current market of \$3.25 to \$3.50 falls in comparison to last year, Hilker says the potential for huge acreage increases worldwide, combined with bigger world stocks, could mean even lower prices. "We definitely want to be looking for some pricing opportunities if we have any kind of a price rally," he says.

While prices for finished cattle will remain stagnant for 1997 in the mid-\$60 range, Hilker says the softening of the corn market combined with cheap feeder cattle currently should improve margins. Feeder cattle producers may finally begin to see some improvements over the next year, says Hilker, thanks to cheaper corn prices and a reduced inventory of beef cows.

"I expect the beef cow herd to be down 1 to 3 percent, which means fewer calves come next spring," he says. "I'd anticipate that we'll see feeder prices jump back on top, where yearling will be a little higher and calves will be even higher."

Good times in the hog business should con-

tinue throughout 1997 says Hilker, with prices expected to stay in the mid \$50s throughout most of the year before trailing off into the high \$40s by the end of 1997 due to expansion. He predicts that the 5 to 12 percent growth in slaughter capacity will prevent a return to the \$28 market producers experienced just a few years ago.

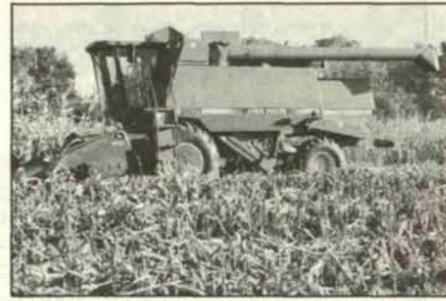
"Those \$20 hogs with 3 or 4 percent more slaughter capacity would never have gone \$34 which is still low but certainly not as bad as the \$24 to \$28 we did see," he says. "Production is down, demand is strong, and exports are raging."

Long-term Projections

Credit conference participants also got a 10-year outlook from MSU Ag Economist Dr. Jake Ferris. Using an "Ag-Mod" program, Ferris says he is capable of "doing some pretty sophisticated stuff," in measuring supply and demand from a producer, consumer, and international market standpoint.

"I have about 400 variables in the model which also includes population growth, income growth, inflation rates, interest rates and so forth," Ferris explains. "I can solve for about a 15-year period, year by year, in less than a minute, and if we want to we can simulate the impact of variable crop yields."

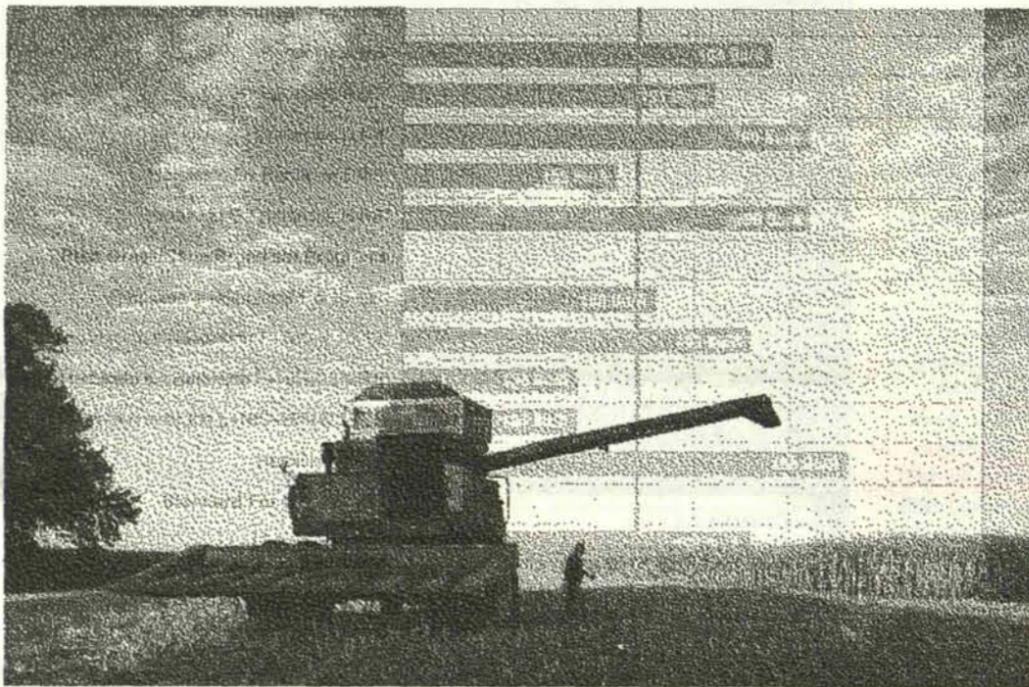
Ferris says that an anticipated rapid growth rate in the world economy, in excess of 10 percent in countries, including economic sleeping giant China will mean a rapid expansion in demand for animal protein that will be reflected in increased



meat prices as well as corn and soybean meal.

"Growing export demand for beef and pork should provide a basis for some optimism in these two industries," Ferris predicts. "On the crop side, I think we have some pretty encouraging statistics relative to soybeans, along with some improved varieties. The fact that we have a new soybean processing plant in the state is going to give emphasis to our soybean industry. I think that corn will be very competitive as well."

Ferris is less optimistic about the future of the state's dairy prices, saying that while there may be some recovery in the dairy markets, he doesn't expect the recent \$15 highs to be repeated anytime too soon. "I would be surprised if we see \$15 milk in the next 10 years as an average," Ferris cautions. "We might see it pop up there one or two years, but as an average trend I don't see it happening." ■



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No-till needs retooling, according to coultter inventor

by Steve Tomac

Ray Rawson has been conservation tilling for 35 years. He was one of the first in the world to try such practices. As a result, countries from all over the world seek his advice. To some people, he is the pioneer in tillage methods. He had his own line of tillage tools until he was recently bought out by Unverferth.

Rawson farms 6,000 acres in central Michigan and has modified his operation many times to the point where he uses what he refers to as "organized tillage."

For Rawson, no-till did a poor job of getting the plant off to a good start. "The whole [farming] system is geared around four things; soil air, water, residue, and fertility. Once we have those things in order, we can make a lot of things happen. The baby plant can't tolerate being slowed down when small. At five weeks, that plant already determines how many rows of corn are going to be on that cob. So right up front, we've got to get that plant off to a good start. That's what no-till wasn't doing. There were too many factors involved that slowed it down."

Rawson notes that the key to planting a crop is to have the right conditions. Warm soil, proper aeration, and adequate water supply are all needed. To do this, Rawson has developed several pieces of equipment.

The latest is a device similar to a sub-soiler that puts one-inch "slots" in the soil on 30-inch

rows. These "expansion joints" can vary in depth; they are set according to the depth of the compaction zone. The machine busts through any plowpan or compaction zone that may exist. The slots allow water and roots to penetrate the hard layer of soil and tap into the soil below it. "With the capability of running roots right where we put the slots, we'll get a more even flow of air and water year after year. Next year, we'll move over [15 inches] and put the slots between the first set. We won't have to do it again, as long as we keep roots in these slots." The decomposing roots, Rawson notes, will open channels for air and water to penetrate the soil. "The subsoil will hold a tremendous amount of water if we can get it in the soil."

The slot tool performs a double duty. Besides breaking up the soil for roots to penetrate, the slots force water to drop into the subsoil. "If the rain falls on us, the farthest it can move is 30 inches. It's been an extremely successful system that will give us even moisture up and down these hills."

Rawson notes that the key to the slot machine is knowing how deep the compaction zone is and how thick it is. "We have to dig holes out here or use the penetrometer to go down and find out where our pan is," he said. Periodic sampling allows the farmer to decide if the tool needs to be run again. Many years may pass, or just a few, depending on the compaction characteristics of the soil. High traffic areas like headlands are slotted most often.

The difference between the slot machine and a subsoiler is subtle, but important. A sub-soiler has a "lift and fracture" action. It pulverizes the soil, breaking it into small pieces. Rawson believes that this leads to recompaction. His tool slices the ground so that roots can penetrate the soil. The soil structure is left undisturbed.

Rawson prefers to run the tool in the fall. This allows the winter precipitation to penetrate the soil, building up water reserves for the spring and summer.

Tillage Practices

There are three main systems of tillage; conventional, conservation tillage, and no-till. Conventional tillage is the time-honored tradition of plowing the field, going across it several times with a disk and cultivator, and maybe once again before planting. This method can be quite expensive and may do more damage to the soil structure than it improves the land for planting.

No-till is the complete opposite. It means that the planter is the only piece of equipment that disturbs the soil. This method may be ineffective because it may not provide the seed with enough air, water, or warmth.

Conservation tillage is a hybrid of the two previous practices. It means that only minimal tillage is done, and is usually focused in the row where the seed will be planted. It provides the necessary

Continued on page 15



Ray Rawson feels that farmers are categorized unfairly. "We're either conventional tillers or we're no-tillers," he says. Rawson believes that farmers belong in the middle. "What we need to do is let no-till fall off the end of things and then let's be somewhere in between all of that."

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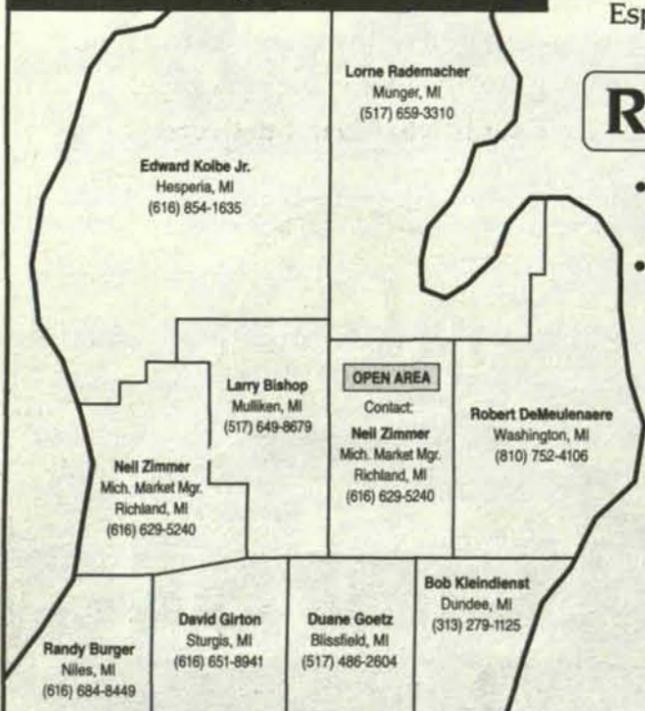
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New Kellogg Farm dry cow barn goes into use

Kellogg Farm recently experienced several additions, well beyond the arrival of a few calves. Research Associate Sue Pandolfi joined the staff June 10, just in time to begin work in the newly completed pre-calving research barn.

Pandolfi, originally from Staten Island, N.Y., spent the last seven years at Virginia Tech. She has a bachelor's degree in animal science, with research experience in dairy and equine nutrition. She recently completed her master's degree in dairy reproduction.

Pandolfi will work on the Dry Cow Nutrition Research Project with Dr. David Beede, meadows chair for dairy nutrition and management; and Kellogg Dairy Manager Rob Ashley.

The pre-calving barn was established to serve the growing need from farmers for more information on pre-calving nutrition. Farmers want to know what to feed their cows prior to calving that would improve health and increase milk production.

The pre-calving barn was constructed this spring, and the first inhabitants arrived June 14. The barn houses up to 48 cows in freestalls, with 44 Calan gates for individual feeding.

Calan gates make it possible to follow each cow's feed intake. A transmitter worn around a cow's neck will allow her to open only the gate specific to her transmitter. A small computer inside the Calan gate reads a computer chip inside the cow's transmitter, and presto! the gate opens. With each cow feeding at the same feeder every time, researchers can easily follow an individual cow's nutrition prior to calving. This project studies how the pre-calving diet affects milking cow performance and health.

Currently, cows are assigned to one of three different rations. It is possible, however, to feed each cow a different ration. That's 44 different combinations. The cows and heifers will be fed these rations from the time they enter the pre-calving barn until they calve, approximately three weeks.

A cow's first experience in the barn involves one to two weeks of training her to find her own door. Each day, the cows are led by hand to their feeders. It takes only a few days to retrain the cows the following year. Just as a homeowner adapts in a suburb where the houses are all the same, it does not take too long for a cow to remember where her

feeder is situated.

Current research involves taking blood and urine samples from each cow, one when she enters the barn and another after calving. Urine pH and blood mineral levels help researchers understand the ideal balance of minerals and nutrients in rations that will best prepare a cow for calving. The proper balance can help prevent such illnesses as milk fever after calving. ■

A deal is a deal

As a Florida man paged through a 1935 issue of *Fortune* magazine, he came across a coupon offering a shipment of sausage and pancake flour for \$1. Jones Dairy Farm of Fort Atkinson, Wis. placed the ad 61 years ago.

Since the coupon had no expiration date, Fred Simpson decided to send in the coupon. Four days later, a shipment containing a pound of sausage, a box of buckwheat pancake flour and a jar of maple syrup showed up at his front door.

Jones Dairy Farm, saying that a coupon is a coupon, proved that honesty still remains in today's business world. ■

Government weighing juice pasteurization requirement

The government is considering requiring all apple juices, and possibly other fruit juices, to be pasteurized to kill *E. coli* bacteria in the wake of an outbreak of the deadly bacteria in apple juice manufactured by the Odwalla juice company of California.

The juice is suspected of causing the death of a Denver infant. Odwalla last week said the company would cover medical costs for those who suspect they were sickened by its juice.

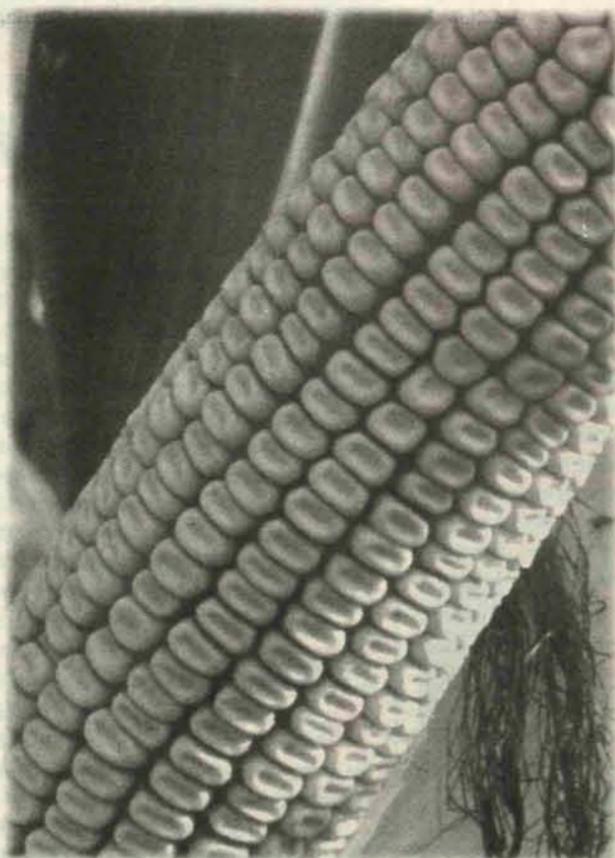
Food and Drug Administration officials called a meeting hours after Odwalla announced a recall of its juice. At the meeting, FDA warned apple juice makers to "ratchet up their quality control," while the government decides the next step.

FDA said parents of young children and those with weak immune systems should drink only pasteurized juice and should only purchase unpasteurized juice that has remained chilled throughout its storage. ■

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New "Gene-Stack" corn hybrids represent giant technology leap

For the first time in plant breeding history, corn hybrids are nearing commercialization that "stack" genes by biotechnology, giving hybrids the ability to possess multiple beneficial traits including resistance to different types of herbicides, diseases, insects and even poor soil conditions.

"The genes that have been carefully selected and implanted in these hybrids are like defense shields. They protect the plant under assault from insects and disease or when incompatible herbicides are used. The breakthrough here is that several genes can now be put into one high-yielding hybrid," says Michael Martin, research director for ICI/Garst, based in Slater, Iowa.

Combinations of different stacked traits in hybrids are being field-tested by ICI/Garst. Pending final yield results and approvals from all companies involved, ICI/Garst expects to release a hybrid that resist the imidazolinone-based (IMI) herbicides from American Cyanamid and the glufosinate-ammonium based herbicide, Liberty®, from AgrEvo. "Hybrids with more than one herbicide resistance conferred by biotechnology represent the next evolution of herbicide-resistant plants and a positive breakthrough in crop management tools for farmers," says Stephen O. Duke, weed scientist at the Agricultural Research Service in Stoneville, Mississippi, and editor of the recently published book, *Herbicide Resistant Crops*.

"ICI/Garst is developing these gene-stacked hybrids to give farmers more management options and control flexibility. Our main objective is to maintain yield integrity and keep the seed affordable," says Col Seccombe, president of ICI/Garst. Pricing of the new stacked hybrids has not been finalized, but Seccombe says the economic benefits to the grower will be maintained.

With the new technology, a hybrid may be loaded with several traits; for example, having both the ability to resist certain herbicides as well as certain diseases like gray leaf spot or tolerate soil conditions such as high pH. "We're tailoring products for specific market niches and needs," Seccombe says.

Another potential combination is inserting the herbicide resistant gene in a high-yielding hybrid that also resists European corn borers by incorporating *Bacillus thuringiensis* (Bt) genes. ICI/Garst plans to test its own novel strain of Bt in a hybrid that is also resistant to Liberty herbicide. The company is referring to this combination as "BLT." The company is calling the process of incorporating more than one genetic trait into a hybrid, "G*STAC," which stands for "Garst State-of-the-Art-Crops." Growers are likely to see this on company seed bags in the future.

ICI/Garst will make the transition to Garst Seed company in 1997.

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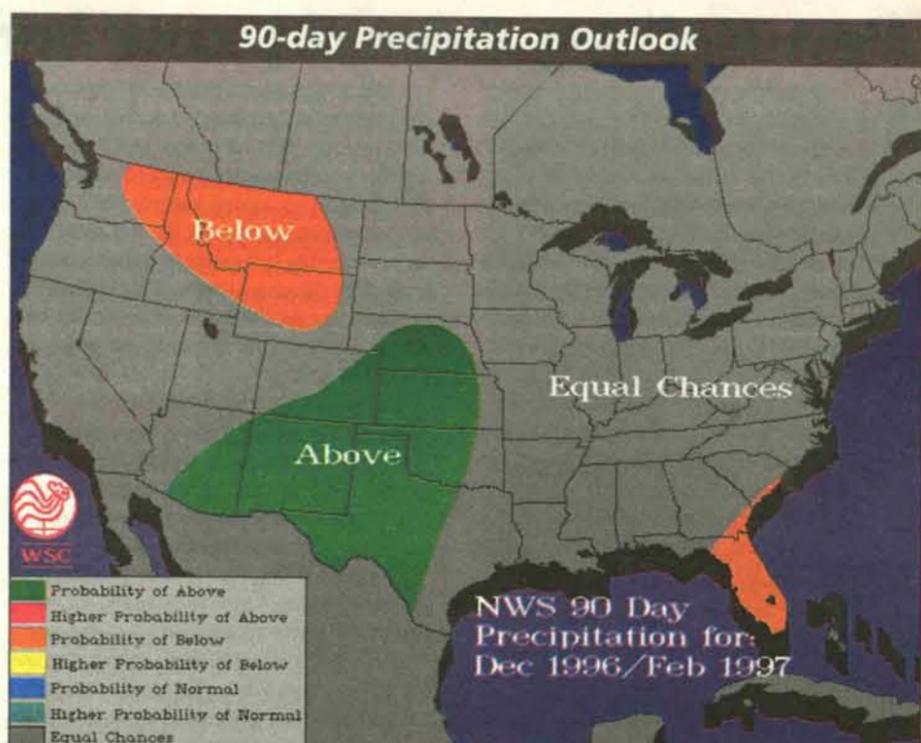
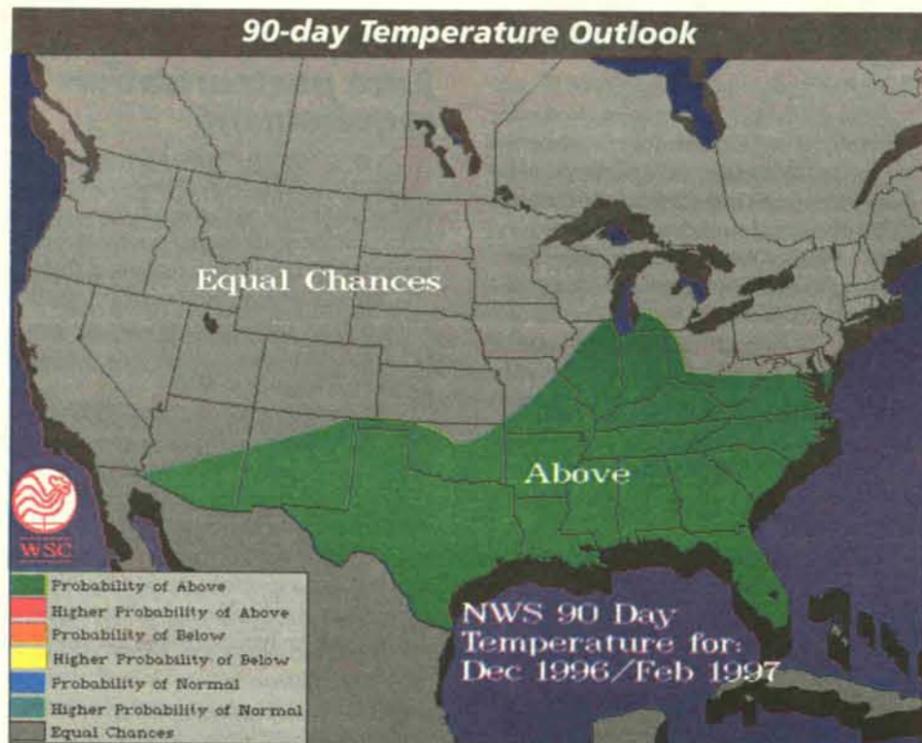


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Weather Outlook

by Dr. Jeff Andresen, Agricultural Meteorologist, Department of Geography, Michigan State University



Upper air troughing over the Great Lakes region continues to be the dominant jet stream feature over eastern North America, with colder and cloudier than normal weather resulting in Michigan. Mean temperatures across the state during November ranged from 3-7°F below normal, which should put November of 1996 in the record books as one of the coldest on record. With the exception of a major lake-effect snow event that left some spots in southwestern Lower and the northern Upper Peninsula with more than 2 feet of snow, precipitation totals generally remained below seasonal normals.

During much of the Fall season, coupled oceanic/atmospheric computer models, a major tool in long lead forecast projections, had been calling for a slow increase in with wide swings in temperature across central and eastern sections of the equatorial

Pacific, putting an end to the current weak La Nina event (abnormally cool ocean temperatures in this area). This warming has not yet occurred, however, leading to some changes in long lead outlooks and to an overall decrease in confidence in the outlook through next Spring. Most recent National Weather Service long lead outlooks call for near equal odds of below-, near-, and above-normal temperatures and precipitation for both the 30-day December and 90-day December-February periods. I think that the current troughing pattern across the region is likely to continue for the next couple of weeks, however, which should result in a continuation of below normal temperatures and precipitation across most of the state, with the exception of lake-effect areas, where snowfall will be above normal. Look for a change in this pattern and some moderation in temperatures by late December or early January. ■

Michigan Weather Summary

11/1/96-11/30/96	Temp.		Growing Degree Days		Precip.	
	Obs. mean	Dev. from normal	Actual	Normal	Actual (inch)	Normal (inch)
Houghton	27.9	-3.2	0	9	2.26	2.54
Marquette	27.4	-3.0	0	9	1.81	2.54
Escanaba	30.3	-4.9	0	5	0.67	2.65
Sault Ste. Marie	30.5	-2.5	0	5	2.63	2.65
Lake City	33.5	-1.4	6	20	2.04	2.69
Pellston	31.9	-2.9	4	20	1.30	2.69
Traverse City	34.7	-3.1	8	20	2.45	2.69
Alpena	31.7	-3.7	3	15	0.60	2.57
Houghton Lake	30.9	-4.7	3	15	0.70	2.57
Muskegon	34.2	-5.2	6	21	1.45	2.88
Vestaburg	31.5	-6.4	6	22	1.24	2.49
Bad Axe	33.5	-5.2	13	25	1.79	2.23
Saginaw	34.2	-4.1	12	25	1.83	2.23
Grand Rapids	33.6	-4.9	7	38	1.52	2.79
South Bend	34.9	-5.7	12	38	2.73	2.79
Coldwater	33.0	-6.5	9	37	2.56	2.32
Lansing	32.9	-5.7	7	37	1.48	2.32
Detroit	34.7	-5.2	14	36	1.85	2.44
Flint	33.1	-5.8	16	36	1.62	2.44
Toledo	35.1	-4.2	17	36	2.84	2.44

Observed totals accumulated from April 1. Normals are based on district averages.

Tuberculosis survey of white-tailed deer reveals 24 positives in a four-county region

Continued from front page

air or consumption of contaminated water, feed or milk.

According to the DNR, winter feeding of deer has become more common in Michigan and supplemental feeding programs have helped support high deer numbers in the infected area.

The deer feeding concentrates deer into feeding areas, allowing for "nose-to-nose" contact that is necessary to transmit bovine tuberculosis from one

deer to another.

"All tests conducted by MDA of domestic livestock for the last two years in the four-county area turned out to be negatives," states Kirk.

"We still are going to have to consider the decision on maintaining a monitoring program in that area of the state," stated Kirk. "We've got to have a monitoring program in place to protect Michigan's tuberculosis-free status and be able to move livestock and dairy freely in and out of the state."

During 1996, over 90 herds representing over 2,800 cattle and other livestock were tested negative of bovine tuberculosis, according to State Veterinarian Dr. H. Michael Chaddock.

Although tuberculosis was once relatively common in cattle in the U.S., it has historically been a very rare disease in wild deer. Prior to 1994, only eight wild white-tailed or mule deer had been reported with tuberculosis in North America. In 1994, a 4-year-old male deer with bovine tuberculosis was shot by a hunter in southwestern Alpena County. The only other time tuberculosis was found in a wild deer in Michigan was in 1975, when a hunter killed a 9-year old, infected female deer in Alcona County. ■

CFTC files three complaints alleging violations...

Continued from front page

record at a hearing convened before a CFTC administrative law judge, who will then make appropriate findings of fact and conclusions of law. Under the CFTC's Rules of Practice, the respondents are required to answer the charges in the respective complaints within 20 days of service. Thereafter, the administrative law judge will set a date for a hearing.

The CFTC recognizes that there is widespread use in the grain industry of various grain contracts, some of which are termed "hedge-to-arrive" contracts, or "options." The decision to bring these actions is based solely on the facts relating to the specific contracts involved in these three cases. ■

EEP for wheat

A letter has been delivered to Agriculture Secretary Glickman urging him to use all possible means to persuade the European Union to stop subsidizing sales of wheat.

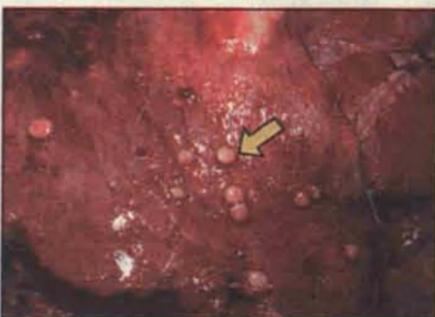
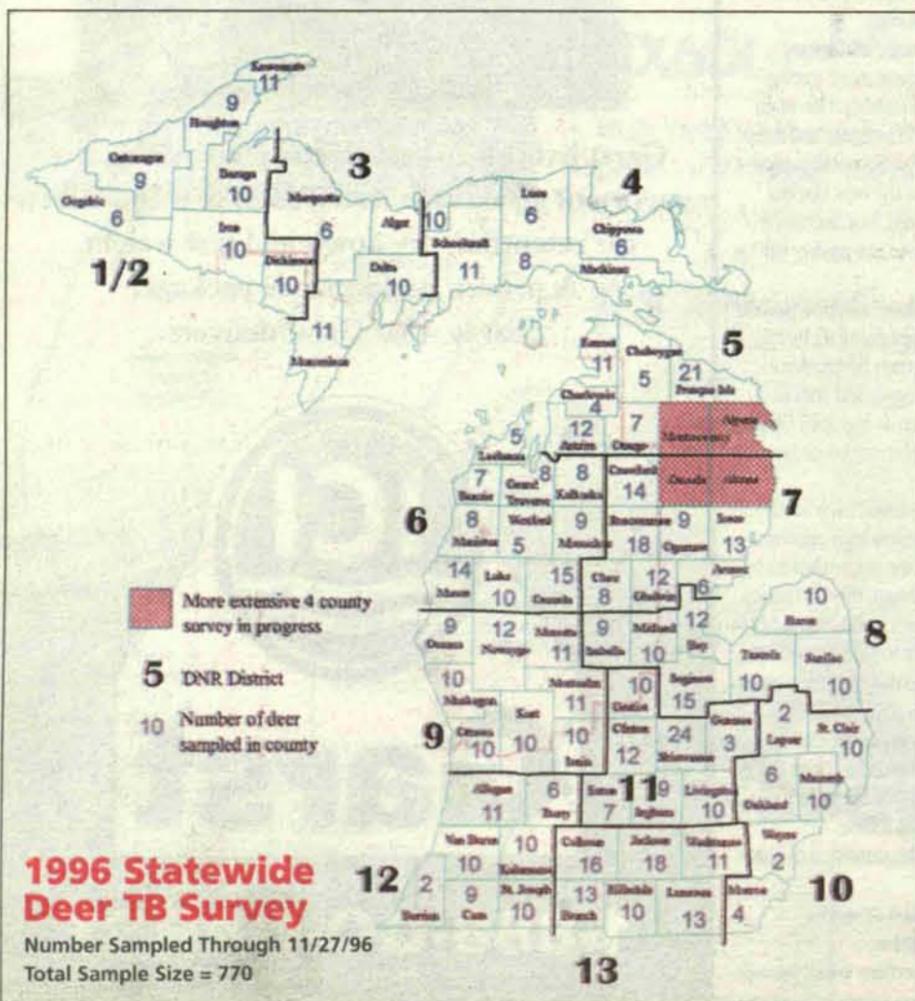
If the EU does not stop use of these subsidies, for wheat AFBF has asked the Secretary to initiate use of EEP (Export Enhancement Program) funds for U.S. wheat sales.

Under current market conditions, use of subsidies such as EEP tend to depress world prices. The level of funding for EEP may not be sufficient to meet the export requirements for sales to our established customers once EEP is started. ■

China to ban ag imports

China announced it will temporarily ban U.S.-grown agricultural imports in retaliation of U.S. bans on Chinese textile exports. The Chinese were not specific on which products will be included under the agriculture heading, but said the ban will begin Dec. 10.

The import ban also includes imports of U.S. textiles and alcoholic drinks. The U.S. and China recently settled a proposed Chinese ban on imports of U.S.-grown poultry, based on Chinese claims that the imports were contaminated by avian influenza. That ban also was scheduled to take place Dec. 10. ■



Lungs from a tuberculosis-infected deer containing pea-sized tan or yellow lumps or lesions typical of the disease.



A Tuberculosis-infected deer with multiple pea-sized tan or yellow lumps on the inside of the ribcage.

Precision Agriculture

by Neil R. Miller

Many agricultural professionals agree that yield monitoring is the logical first step for farmers getting involved in GPS technology. One rationale for this belief has been that a farmer will need 4-5 years of yield data to identify high and low yielding zones within fields. These yield histories can then be combined with soil fertility data to calculate fertilizer needs.

Recent data suggest that this process may be more difficult than anticipated. Season-to-season variability can often confound within-field variability. For example, the highest yielding areas of a field in a wet year may be the lowest yielding areas in a dry year (Figure 1). Does this mean that yield monitor data will not be useful for fertility management decisions? Hardly. Though their importance varies depending on which nutrient we are managing, yield monitors are still an integral part of site specific fertility management.

Normalizing Yields — If one took a simple average of several years' data, high yielding years and/or crops would tend to out influence low yielding years and crops. Thus, the first step to making multiple year comparisons is to convert actual yields to "normalized" values (a percentage of the field average) so that each crop carries equal weight.

Phosphorus and Potassium Management — Where these elements are already at optimum levels, P and K fertility in field crops is principally a matter of replacing what nutrients are removed

Using yield monitor data in crop fertility management

by the crop. In these cases, a yield history within fields should correlate well with P and K needs over time, even if the high and low yielding areas are not consistent from year to year. On low or high testing soils where we are trying to build up or draw down levels of these elements, yield histories alone will not adequately track fertility dynamics, and regular soil testing increases in importance. The same is true on sandy soils where K leaching may be significant.

Lime and Minor Elements — Management of pH, magnesium and micronutrients is rarely based on yield potential or crop removal. For this reason, site specific management plans for these elements will be based on soil testing rather than on yield monitor data. Yield maps may, however, direct soil sampling to areas where these factors may be limiting yields.

Nitrogen — Nitrogen management decisions in field crops have traditionally been based principally or entirely on yield potential of a crop. Yield monitors can help us develop more realistic yield goals. However, historical crop removal and carry-over is not as useful as with P and K. In order to use conventional formulas, we need to estimate this year's yield potential, a much more difficult task than calculating the historical track record. If year-to-year variation is high, we will likely underesti-

mate needs in some areas and overestimate needs in others. Basing site-specific nitrogen rates on within-field yield histories alone may, therefore, increase a farmer's risk beyond an acceptable level.

Recent research at the University of Guelph and elsewhere suggests, that although yields vary widely from year to year, response to added N fertil-

izer is more consistent. Thus, if a farmer develops a map of historical response to N fertilizer (e.g. by leaving unfertilized strips and recording their yield relative to adjacent fertilized strips) they may develop a better site-specific predictor of optimum nitrogen rates. These studies need further validation before they can be used on a wide scale. Nevertheless, they reinforce the fact that while site specific management may not be as simple as we once thought, yield monitor data can help us develop fertility systems that minimize risk and maximize profitability. ■

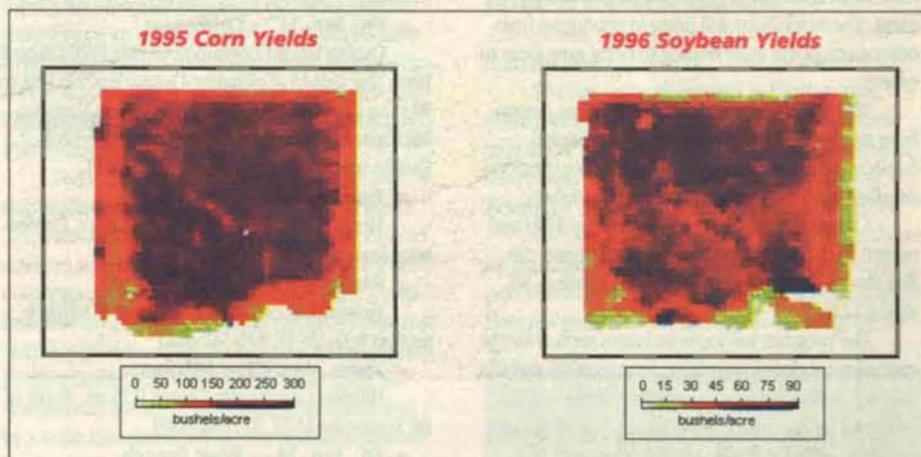


Figure 1 — The poorly drained northwest corner of this field yielded poorly in 1995, a year with adequate moisture. In 1996, however, the same area out-produced the rest of the field where yields were limited by a lack of moisture.

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Iowa Supreme Court rules in favor of hog lot

The Iowa Supreme Court on Wednesday cleared the way for large hog lots to be exempt from local zoning laws. The court overturned a lower court ruling that held that large hog lots are more like factories, not farms, and fall under local zoning ordinances.

State law prohibits local governments from using zoning to control farm operations. "In determining what uses are for agricultural purposes, we view agriculture as the art or science of cultivating the ground, including harvesting of crops and rearing and management of livestock," the court said.

Four individuals formed a joint venture to construct a 2,000-hog facility on a five-acre site. They had planned on doubling the size later on. Local zoning officials said the facility required a special exemption from local codes because the hog lot was separate from other farming operations. Local officials denied the special exemption, and two of the partners went to court.

A lower court said the local officials acted within the law. The Supreme Court didn't agree. While local officials tried to require a link between hog lots and more traditional farming operations, the law requires no such tie, said the court. ■

Official to Monsanto: Slow down

Monsanto officials are confident once consumers become more informed about genetically engineered soybeans, they will harbor fewer concerns over eating the new Roundup Ready variety.

But Henrik Kroner of the Euro Commerce trade association is advising Monsanto to slow its marketing efforts down a little. "I am telling American exporters to please...if you are wise, don't ship those soybeans to Europe because you may trigger a lasting reaction," said Kroner. "And, if you must, separate and label them."

European environmental groups have been fighting the genetically engineered soybeans over safety fears. Many groups want the products labeled. Monsanto has repeatedly assured consumers and government officials that the soybeans are safe, and labeling is unnecessary. ■

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Statewide forage management series offered by MSU Extension

How producers can maximize forage quality and growth and thereby maximize livestock production will be the focus of 12 statewide workshops being sponsored by Michigan State University Extension.

According to Dr. David Beede, the goal of the workshops is to bring producers together and share their ideas about what works in forage management. The workshops will bring in producers from other parts of the state hoping to bring new ideas to others.

The workshop cost is \$35 for the first person from an operation and \$15 for each additional family member or farm employee. The registration deadline is 10 days before each area workshop.

Checks should be made payable to MSU and mailed to the Department of Animal Science, c/o Rita House, Anthony Hall, MSU, East Lansing, MI 48824-1225.

The program will focus on issues such as forage management decision-making, fermentation and silo management, what type or variety of forage should be grown for the livestock operation and what forages should be grazed by developing heifers.

How to optimize forage feeding and the producer panels will round out the day after lunch.

Dates and Locations

- **Wed., Jan. 8 — Fowler**
Most Holy Trinity Church — Activity Center, 11159 Kent Street, 517-593-2277
- **Thurs., Jan. 16 — Chelsea**
Chelsea Fairgrounds — Service Center Building, Old Manchester Road, South of Old US-12, Chelsea
- **Fri., Jan. 17 — Coldwater**
Quality Inn & Convention Center, 1000 Orleans Blvd. Take Exit 13 (Coldwater/Quincy Exit) off I-69, to West on Chicago St., at first stoplight turn North on Michigan Ave., take first right onto Orleans Blvd., Quality Inn is straight ahead, 517-278-2017.
- **Tues., Jan. 21 — Stephenson**
Menominee County Extension Office, Conference Room, 906-753-2209
- **Wed., Jan. 22 — Petoskey**
Holiday Inn on US-131, 0.5 miles S. of intersection with US-31, 616-347-6041
- **Thurs., Jan. 23 — Hillman**
Hillman Community Center, 0.25 mi. North of BP Station on M-32, 517-742-3089
- **Fri., Jan. 24 — West Branch**
Quality Inn/Forward's Conference Center, 0.25 mi. North of Exit 212 off I-75 on BL-75, 517-345-3503
- **Tues., Jan. 28 — Cadillac**
Bill Oliver's Best Western (Conference Center), M-55 West of intersections M-55 & M-115, 800-654-8375
- **Wed., Jan. 29 — Mt. Pleasant**
Comfort Inn, 2424 S. Mission Rd. From North take first Mt. Pleasant exit off US-27, follow Mission Road to last light. From South take first exit off US-27, left at first light, 517-772-4000
- **Tues., Feb. 4 — Cass City**
Colony House, 8430 N. VanDyke, M-53, 4 mi North of M-81, 517-872-3300
- **Fri., Feb 7 — Grand Rapids**
English Hills Terrace, formerly Adrian's Ramona Terrace, 5179 West River Dr., North of Grand Rapids, off M-131 take West River Dr. exit, go East 1 mi., 616-784-6802
- **Mon., Feb. 10 — Kalamazoo**
Holiday Inn West, 2747 S. 11th St. Take Stadium Dr., exit off US-131, 2 mi. North of I-94, 616-375-6000

Pre-registration forms for the workshop can be obtained from your county MSU Extension office or from Rita House at 517-353-4570. Please register 10 days before the workshop you plan to attend. ■

Florida voters reject sugar tax

Florida sugar producers are experiencing the sweet taste of victory after voters in that state rejected a referendum that would have established a \$900 million, penny-a-pound tax on Florida sugar producers to "clean up" the Everglades.

The tax would have imposed a tax on Florida's 160 sugar producers, who are already paying \$322 million over 20 years on efforts to eliminate phosphorus from agricultural runoff. The new tax would have put all of the sugar producers in the Everglades Agricultural Area in jeopardy of going out of business.

"Agriculture in Florida united in opposition to this tax," said Carl B. Loop, Jr., president of the Florida Farm Bureau Federation and vice president of the American Farm Bureau Federation. "Farm Bureau members around the state recognized the danger posed by a constitutional amendment that singled out one segment of our industry for unfair, punitive taxation. Our members worked hard at the grass-roots level to defeat the sugar tax."

It was reported that the sugar-tax campaign was the second-most expensive referendum campaign in U.S. history. Roughly 54 percent of Florida's voters rejected the tax. In what was described as another setback for sugar-tax proponents, Florida voters also approved a measure that will require a two-thirds vote for any new tax proposals. That initiative was approved by approximately 69 percent of voters. ■

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Pioneer	3394	\$460	159.9	21.5	56.3

NK Bt advantage/acre \$32; NK Bt advantage/bag \$90

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NK 4640Bt — 103 DAY

Brand	Variety	\$\$ Return per Acre	Yield at 15.5%	Moisture	Test Weight
Northrup King	N4640Bt	\$483	168.2	21.0	53.6
Pioneer	3573	\$408	149.9	24.2	52.0

NK Bt advantage/acre \$75; NK Bt advantage/bag \$210

Bite

NK 4242Bt — 98 DAY

Brand	Variety	\$\$ Return per Acre	Yield at 15.5%	Moisture	Test Weight
Northrup King	N4242Bt	\$410	151.7	25.0	53.9
Pioneer	3769	\$360	134.4	25.2	52.4

NK Bt advantage/acre \$50; NK Bt advantage/bag \$140

Bite

Brand	Variety	\$\$ Return per Acre	Yield at 15.5%	Moisture	Test Weight
Northrup King	N4242Bt	\$369	138.7	26.5	54.0
DeKalb	471	\$337	125.1	26.0	52.0

NK Bt advantage/acre \$32; NK Bt advantage/bag \$90

\$\$ Return per acre = Yield at 15.5% x \$3.00/bu. less drying cost and test weight discounts. Results are through 11/20/96 and represent multiple locations.

To order Northrup King Hybrids, contact your local Northrup King dealer.

For more information, call Steve Leipprandt at 616-956-7136, Dan Bailey at 517-828-6224 or Terri Never at 419-729-1077.



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After the harvest — Post-season combine maintenance pays big dividends

The harvest is in, and it's time to put up the combine for another season. Following some simple practices can save you money next fall when it's time to fire up the combine again.

The Engine

- Clean the exterior of the engine.
- Change the oil. Run the engine until it reaches the normal operating temperature. Then stop the engine and drain the oil pan. Clean the crankcase breather hoses and replace the oil filter before adding fresh oil.
- Service the air cleaner; replace air filter as needed.

Elsewhere

- Store your combine inside, if at all possible.
- Check coolant and antifreeze and replenish as necessary.
- If possible, remove the batteries, make sure they're fully charged and store it in a cool, dry place (NOT on concrete).
- During storage, start the engine at least once a month and run the air conditioner compressor for a few minutes. This will lubricate the shaft seal and prevent the loss of refrigerant. When weather is cold, wait until the compressor has warmed up from the engine heat to start the air conditioning. If necessary, turn the compressor shaft by hand a few times to lubricate the shaft seal.
- Retract all hydraulic cylinders and grease the exposed portions of the piston rods.
- Remove all chains, wash them in solvent and store them in oil to lubricate them and prevent rust.

- Clean the area above the cleaning fan housing and inside the fan screens. Make sure the holes in the bottom of the fan housing are open.
- Store the combine with the wheels jacked up and blocks under the axles to protect the tires. Elevate the right side slightly higher than the left side to allow any water to drain from the tank.
- Put a cover over the combine feed elevator opening to prevent snow, dust and debris from blowing into the machine.

Getting Rid of Combine Storage Pests

Attracted by grain and debris left in your combine during storage, rats, mice and insects can cause damage to your combine. Turning your combine into a "rodent-unfriendly" environment can prevent this.

- Open the stone trap, unloader and all elevator doors and run the unloading and threshing mechanisms with the cleaning fan at high speed for 15 minutes.
- Park the right front wheel on a large block of wood and make sure the combine is securely balanced. Use high-pressure air or water to free debris from the grain tank.
- Park the left front wheel on the block and clean, in order, the feeder, grain pans, sieves, augers and elevators.
- If water was used, allow the combine to dry out. Leave all elevator doors open.
- Fumigate the inside of the combine with rodent repellent within a week. Be sure to follow label directions and observe local regulations. ■

No-till needs retooling, according to Ray Rawson

Continued from page 10

requirements for the seed while minimizing any adverse effects on the soil structure.

Rawson feels that farmers are categorized unfairly. "It's too bad, most of us are either thrown in one category or the other; we're either conventional tillers or we're no-tillers," he says. Rawson believes that farmers belong in the middle. "What we need to do is let no-till fall off the end of things and then let's be somewhere in between all of that."

On the Horizon

There are several things being examined more thoroughly that will have significant impacts on farming. The first is bacteria and fungi management for nitrogen production. This process works well with limited soil disturbance, like conservation tillage. "If we reduce surface tillage," said Rawson, "we increase bacteria and fungi life up in the area where the proper amount of oxygen is and the food source is." Rawson says that increased microbial activity could lead to better nitrogen conversion and recovery.

Another tool is the Global Positioning System, or GPS. This satellite-guided system allows farmers to pinpoint areas in their fields. It gives an accurate map of yield history, nutrient information, and soil types. While not new, GPS is now at a point where its information is able to be put to its best use. Rawson said that GPS has aided significantly in managing nutrient levels. This information allows him to maximize yields in areas, decide why nutrient and yield losses are occurring, and what would work to improve productivity.

Rawson also said that management factors could play an even bigger role than most people think. "It seems as though we're at this point deciding the factors that farmers can deal with — air, residue, water, organic structure developed in the soil — have more to do with evening the fields out than fluctuating nitrogen and fertilizer levels do." Rawson continued to say that GPS plays a significant role in determining the limiting factors in raising crops. "They say if you took out all the limiting factors out of a soybean, you could produce 200 bushels to the acre. I don't know how we're ever going to do that in our environment; but in ideal conditions, that could happen. So we're learning how to take them out."

Practices

Weed control is a problem for every farmer. Rawson is no different. He says that weed control is his biggest concern. In trying to maintain a profit as a farmer, Rawson admits that they don't stray much from what works. However, weed control is the area where they allow themselves the greatest freedom. "Of everything we've done, the one we're learning the most and having the biggest concern about is the [weed] control." Rawson said they have several plots that use differing methods. The one they prefer the most is an early preplant spray with an appli-

cation later to have continuing control. "A lot of that, with the Canopy and Lorox type products and that kind of thing, looks good," he said.

Another practice that Rawson insists on is soil sampling. He said they sample half of their land each year, so every two years, they have current records.

Rotation of crops is important for every farm. Straight corn or soybeans can lead to a buildup of diseases and weeds. Rawson uses a four-year rotation of corn, corn, soybeans, then wheat. The crops are planted in 30-inch rows, including the soybeans. Rawson said that the soybeans respond best in rows. Their northern location limits the available sunlight to the soybeans, and the row placement optimizes the light.

Rawson is also convinced that fertilizer needs to be row banded, rather than broadcast. He said that the broadcast method wastes a lot of fertilizer that will never be used by the crop. He also said that the crop turns the closer fertilizer into larger yields. "The rowed fertilizer [crop], this year and last year in virtually every case, had anywhere from 16 to 20 rows of kernels around the cob. When they broadcast it, it was anywhere from 12 to 16; it was on the lower side. Years and years ago, Grandpa always put fertilizer on the rows and up until just a few years ago when technology gave us the spreaders and things changed. It's so easy to do, but maybe that's not the right thing."

Rawson has moved his fertilizer application around to find the right zone for the plant. He found out that placing 100 percent of the nitrogen within an inch of the row will burn the plant. But there was no one to tell him where to put it; no one knew. Rawson said that he has now found out where the optimum placement is. "Four inches out and four inches down on both sides: you can put 100 percent on at planting time and not hurt a thing there, as a matter of fact, you really give the plant a kick. But back then, there wasn't anybody to ask."

Rawson's methods have worked for him. He has parts of his company spread all over the world. Foreign countries come to ask questions and improve their methods. Portugal, a country with a southern California-type climate, is setting records with 225 bushel-an-acre corn, using Rawson's methods. Rawson said that he has been involved with virtually every country in North and South America. There is even equipment running in Russia, but Rawson said the lack of economic structure is making it difficult to progress.

Not every method works for all farmers. There are different types of soils, climates, and markets. It is important to find a system that works best for each individual farmer, and seek ways to improve from there. ■

Tax-sheltered investments for self-employed and corporate owners

Continued from page 7

marketable. Special rules are outlined for a corporation that develops an Employee Stock Ownership Plan (ESOP), which is a stock bonus plan, whereby, control of the corporation is transferred to the employees.

The final basic option for a 401k plan is the SIMPLE plan which was added by the Small Business Job Protection Bill of 1996. A SIMPLE retirement plan allows employees to make elective contributions to an IRA. Employee contributions have to be expressed as a percentage of the employee's compensation, and cannot exceed \$6,000 per year. The \$6,000 dollar limit is indexed for inflation in \$500 increments.

There are many variations, and many rules and regulations for tax-deferred retirement plans. The plans can vary greatly from one corporation to another, and from one plan to another. Family-held corporation owners need the counsel from a qualified pension professional for adoption of a plan that fits the requirements of the business and the family. In most cases, small corporations participate in a ready-made, master or prototype, plan sponsored by a trade association, insurance company, mutual fund or bank, rather than establish their own retirement program.

Conclusions

Many factors should be considered by a self-employed individual or corporate owner/employee in determining whether to establish a tax-sheltered retirement plan. Retirement programs are an excellent way to defer current income tax obligations and provide for retirement income. ■

Market Outlook

Continued from page 6

from last year.

The egg-type chick hatch in October was down 1 percent from October 1995. As expected, because of the favorable egg-feed price relationship, the number of layer-type eggs in incubators on November 1 was up 2 percent from a year earlier.

The demand for eggs continues strong as shown by the *Commercial Egg Movement Report*. The report showed more eggs moving through retail stores than last year, even though prices were higher. ■

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Beware of carbon monoxide rise in shops and outbuildings

The advent of cold weather brings with it an elevated risk of carbon monoxide poisoning among farmers and their employees.

Posing a serious risk are gasoline-powered washers that are used inside buildings, says Howard Doss, Michigan State University Extension agricultural safety leader.

He says there have been reports in the past few years of farm family members or employees who were overcome, and nearly died while operating power washers inside outbuildings, most of which were being ventilated.

In all cases reported, the people who were overcome had been using the gasoline engine-driven power washers inside the building for about 30 minutes.

"No gasoline engine, irrespective of size, should ever run inside a building unless flexible tubing or pipes that are in good condition are used to convey the exhaust outside the building," Doss says.

Carbon monoxide poisoning hazards can also exist in workshops that are closed against winter weather.

When unvented space heaters are used or workers are welding, painting or cleaning equipment, effective ventilation through the building is essential. Ventilation must be sufficient to exchange outside air for the built-up fumes and toxic gases on the inside.

"Exhaust fans are efficient only if fresh air is available from an open window or from a ventilator installed to provide an incoming source of fresh air

to the work area," Doss says.

All central heating equipment should be ventilated to the outside of the building and given a thorough inspection for cracks, blockages or leaks in the stovepipe or the chimney.

He says that farm managers should err on the side of safety because carbon monoxide is a stealthy killer that does not alert you unless you are aware of the symptoms of carbon monoxide poisoning.

One of the first precautions against carbon monoxide poisoning, that Doss recommends, is installing either battery-powered or permanently wired carbon monoxide detectors in farm shops and other buildings where people are working.

"Because it is colorless and odorless, carbon monoxide can overcome people without their knowing what is happening to them," Doss says.

"When it is inhaled, carbon monoxide mixes with blood 210 times quicker than does oxygen. Air containing moderate to high amounts of carbon monoxide by volume could lead to unconsciousness in about five minutes."

Carbon monoxide poisoning symptoms may include a mild headache, inability to concentrate, nausea, fatigue and dizziness.

"As the length of time and degree of exposure increase, so does the severity of the symptoms, which can lead to progressive weakness, confusion and ultimately a coma or death," Doss says.

Extension specialists receive awards

An agronomist and an entomologist at Michigan State University have received the MSU Extension Specialist Association's highest award.

Karen Renner, Extension weed specialist, and David Smitley, Extension entomologist, were given the 1996 Outstanding Extension Specialist Award for their industry leadership and accomplishments in their respective fields.

Since joining the faculty in 1986, Renner has developed numerous publications on weed control and management and herbicide impact on water quality. She is a nationally known speaker, teacher and writer and is highly respected by her peers and Michigan's agricultural industry.

Renner has served on several university committees and is currently the associate editor for the Journal of Weed Science, which is published by the

Weed Science Society of America.

Smitley has conducted research on insect pests associated with turf, landscape and greenhouse plants. Among his many accomplishments is the importation and establishment of a fungus used to combat gypsy moth larval development. The fungus, *Entomophaga maimaiga*, appears to be the most effective method for managing the gypsy moth in Michigan.

Smitley has been an Extension specialist since 1985. His expertise in plant quarantine and the study of insect pathogens have spared the landscape and greenhouse industries in Michigan from severe economic losses.

Smitley is the chairperson of the Extension Landscape Crop Advisory Team and a member of the Extension director search committee.

Milk price initiatives

Significant drops in farm gate milk prices are a major concern for producers in all areas of the country. Even though milk production continues to run below 1995 levels and demand for all dairy products is up, current product prices indicate that a drop of \$4 to \$5 per hundredweight in farm prices will occur over the next three months.

American Farm Bureau has contacted Secretary of Agriculture Dan Glickman to suggest several actions that he might take to bolster farm prices in the short term.

They include:

- Advance purchases of dairy products for the school lunch program
- Use of the Dairy Export Incentive Program (DEIP) to the maximum extent allowed
- Use of the PL-480 program to the maximum extent allowed

Each of these actions are currently authorized and funded. This means that they require no new legislation and have no negative budget implications. We do feel that they can have a positive impact on producer prices. We are encouraging the Secretary to move forward as rapidly as possible with these actions, since they still need to work their way through the market system before they are reflected in producer prices.

In addition to these short term actions, we are also encouraging the Department to proceed with the development of an expanded survey of dairy product prices. This could be a useful tool for milk pricing, under the reformed marketing orders that are currently being developed. We also are encouraging the Department to explore options for additional oversight of the National Cheese Exchange. Since this market impact the pricing of almost all milk in the country, producers need assurance that it is operating properly.

FB calls for tax changes on deferred payments

Farm Bureau is calling on Congress to pass legislation early next year that will prevent the Internal Revenue Service from seeking back taxes from farmers who use "deferred payment contracts."

The issue has surfaced because the IRS is now telling farmers who use those contracts that they are subject to additional taxes and even back taxes under the Alternative Minimum Tax (AMT). AMT is a special tax calculation designed to prevent those with large incomes from paying little or no tax. If the AMT is more than the regular tax due, the taxpayer must pay the difference.

Including deferred payment contracts in the AMT is inconsistent with the intent of Congress and with the historical treatment of those contracts, according to American Farm Bureau Federation President Dean Kleckner, who outlined the situation in a letter to all U.S. senators.

"The 1980 tax act specifically excluded farmers from any calculation of the AMT for deferred payment contract sales," Kleckner said. "However, an oversight occurred in the 1986 tax act when no specific AMT deferred payment contract exclusion for farmers was included. Now, some 10 years later, the IRS is taking the position that deferred payment contracts cannot be used to delay income for AMT purposes."

In the letter, Kleckner emphasized the need and justification for this exemption for farmers. "Agricultural producers face wide swings in income due to weather and markets that are in most instances beyond their control," he said. "Farmers use deferred payment contracts to balance income fluctuations by selling a commodity in one year and delaying payment until the next," he said.

"The IRS has started auditing farmers and including deferred payments in their AMT income," according to Pat Wolff, an AFBF governmental relations director. "What makes it even worse is that it is not only being done for the year under audit, but for all back years that are open to audit," Wolff said. "It's especially a problem," Wolff explained, "because farmers were dealing with what they believed to be an oversight and they just continued calculating their taxes the way they had traditionally."

Sens. Grassley (R-Iowa), Dorgan (D-N.D.), Baucus (D-Mont.) and Gorton (R-Wash.) will introduce legislation in the new Congress, to clarify that deferred payment contracts can be used by farmers for both their regular tax and AMT calculations.



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Conservation tillage tops 100 million acres

Environmentally friendly farming: Gains and concerns in '96

The latest nationwide survey shows farmers used environmentally friendly systems to plant and manage a record 103.8 million acres (almost 36 percent) of all cropland planted this year (290.2 million acres). The nonprofit center that compiles the annual survey notes that the new milestone was reached with help from farmers in states like South Dakota, Minnesota and Montana, which are not commonly recognized for high use of such systems.

According to the survey, (*National Crop Residue Management Survey*) farmers in South Dakota led the growth in conservation tillage systems like no-till and mulch-till, accounting for nearly one million of the additional 4.9 million acres farmed under such systems this year. Also contributing to the growth curve with gains of more than 300,000 acres each this year are Minnesota, Missouri, Montana, Kansas, Iowa, Nebraska and Illinois. In the meantime, Indiana, one of the traditional leaders, posted a more than 650,000-acre decline in use of conservation tillage.

John Hebblethwaite, executive director of the Conservation Technology Information Center (CTIC) insists there is reason for both celebration and concern. "We're excited to surpass this 100-million-acre milestone with terrific performances from emerging states but it is obvious we have some work to do when a leading state like Indiana experiences such a decline," says Hebblethwaite. He notes consistent use of conservation tillage is important if farmers expect to realize all the economic and environmental benefits available.

Indiana and Ohio were among several Midwestern states that struggled through extended periods of wet weather at planting time this spring. "It seems we're not doing enough to generate greater awareness of the techniques and technologies available to help farmers overcome wet-weather challenges without resorting to intensive tillage," says Hebblethwaite. He points to fall strip preparation techniques that conserve crop residue as one likely solution for the corn growing challenges

faced by farmers in those states this year.

Unlike conventional farming systems, farmers who use conservation tillage avoid disturbing or tilling the soil in their fields any more than necessary. Instead, they leave the plant materials from the recently harvested crop in the field. The old stem, stalks and leaves — called crop residues — are left on the soil surface to provide a protective blanket. The goal with conservation tillage systems is to keep 30 percent or more of the soil surface covered with crop residues, after a new crop is planted. In addition to soil erosion control, systems like no-till can increase long-term productivity by adding organic matter to the soil, increase efficiency by saving labor, fuel and equipment costs, and provide water quality and wildlife benefits. Other, more conventional, crop growing systems, require more intensive tilling, which can lead to greater soil erosion.

Tillage system/changes in acres planted

Farmers planted an additional 11.5 million acres of cropland this year and much of that may reflect land returned to production following the end of commodity-based, government set-aside programs. The survey shows 290.2 million cropland acres were planted this year, compared to 278.7 million last year.

Conservation tillage systems (30 percent and more crop residue left after planting) were used on an additional 4.9 million acres this year compared to 1995:

- No-till increased by 2 million acres (from 40.9 million to 42.9 million)
- Ridge-till was unchanged at 3.4 million acres
- Mulch-till gained 2.9 million acres (from 54.6 million to 57.5 million)
- Other tillage systems (less than 30 percent crop residue left after planting) increased by 6.6 million acres this year:
- Reduced-till (15-30 percent residue) gained 4.7 million acres (from 70.1 million to 74.8 million)
- Conventional-till (less than 15 percent residue) gained 1.9 million acres (from 109.6 million to 111.5 million)

Trends

Over the last 10 years, conservation tillage

systems have experienced greater growth in the United States than any of the early projections anticipated. The growth continued this year, largely due to increased use of such systems in the northern Great Plains to plant and manage small grains (most likely wheat) as well as corn. However, in the last two years, total no-till corn acres have been down nationwide. No-till corn reached a high of 14 million acres planted in 1994, declined in 1995 and has yet to rebound with 13.2 million acres planted this year. Indiana's sizable decline in conservation tillage acreage was largely due to losses in no-till corn acreage (274,000 fewer acres planted no-till in '96). Ohio had 100,000 fewer no-till corn acres this year. Both states were affected by wet weather at planting. On the other hand, most of the dramatic gains in conservation tillage in South Dakota this year were a product of increases in no-till and mulch-till corn and small grains.

State highlights by tillage system

The top five no-till states, based on total acres planted with no-till, are: Illinois, 5.8 million acres; Iowa, 4.1 million acres; Indiana, 4.1 million acres; Ohio, 3.8 million acres; and Missouri, 3.1 million acres.

The top five states, based on percentage of total cropland acres planted no-till are: Kentucky, 51 percent; Maryland, 46 percent; Tennessee, 44 percent; West Virginia, 39 percent; Delaware, 38 percent; and Ohio, 37 percent.

The top five states, based on total acres planted with mulch-till are: Iowa, 7.4 million acres; North Dakota, 4.7 million acres; Nebraska, 4.7 million acres; Kansas, 4.5 million acres; and Texas, 4.4 million acres.

The top five states, based on total ridge-till acres planted are: Nebraska, 1.6 million acres; Kansas, 384,000 acres; Minnesota, 300,000 acres; Iowa, 194,000 acres; and Louisiana, 187,000 acres.

State highlights by crop

Illinois leads no-till full season (single crop) soybean states with 3.1 million acres planted this year, followed by Indiana, 2.6 million acres; Iowa, 2.2 million acres; Ohio, 2.2 million acres; and Missouri, 1.3 million acres.

Iowa remains the leading no-till corn state with 1.8 million acres planted this year, followed by Nebraska, 1.7 million acres; Illinois, 1.7 million acres; Indiana, 1.1 million acres; and Ohio, 0.9 million acres. No-till corn acres declined in Indiana, Iowa, Illinois and Ohio this year, while increasing in Missouri, South Dakota and Nebraska.

Spring and fall planted no-till small grains, led by wheat, posted a 900,000-acre increase this year. North Dakota, Ohio, Montana, Missouri, Illinois and South Dakota each gained 300,000 or more acres.

Cotton declined by almost 1.4 million total acres and no-till cotton was down by 50,000 acres. Tennessee still leads the South in no-till cotton production. Missouri, Alabama, Virginia and Arkansas posted gains in no-till cotton this year. Louisiana, Georgia and Arkansas also posted gains in mulch-till or strip-till cotton.

What to look for in future surveys

USDA estimates that up to 24 million acres are eligible to return to crop production from the Conservation Reserve Program (CRP) within the next year. The influx of additional cropland acres could result in some sizable shifts in tillage system usage over the next two years. Research shows that some of the land idled and planted to grass under the 10-year CRP program has been improved for production. Better soil erosion control, increased organic matter, improved soil structure and water infiltration are evident. Research also indicates the less tillage used, the more likely those improvements can be retained to bolster long-term productivity. Amid estimates the world's population will nearly double in the next 50 years, CTIC is recommending farmers remain competitive by considering a conservation tillage system that will ensure productivity and sustainability of their soil resource base.

The *National Crop Residue Management Survey* is published annually by the Conservation Technology Information Center (CTIC) in cooperation with the USDA Natural Resources Conservation Service (NRCS), soil and water conservation districts and others. CTIC is a nonprofit information/data transfer center that promotes environmentally and economically beneficial natural resources systems. ■

Farm income equalization

The 1996 farm bill phases out income payments to farmers over seven years. As a result, farm income will increasingly be determined by unpredictable and uncontrollable weather and markets. Producers of commodities not covered by farm programs are already subject to wide swings in income because of variable growing conditions and market fluctuations.

Tax code provisions, such as cash accounting and deferred payment contracts, provide important financial and tax management tools for producers. Recognizing the impact of budget cuts for agricultural programs, Congress included language in the 1996 budget resolution that pledged to reexamine agricultural cuts unless, among other things, Congress

acted to provide mechanisms to allow farmers to average tax loads over strong and weak income years.

Without the ability to even out swings in income, farmers and ranchers end up paying more taxes than individuals with stable incomes because income peaks are taxed at a higher rate than if the same income were evened out over several years. The inequity is accentuated when a farmer or rancher's income spikes with the sale of land or other capital assets.

Several pieces of Farm Bureau supported legislation were considered by the 104th Congress but were not enacted into law. Farm Bureau will be working to secure their passage as the bills are reintroduced next year.

- H.R. 3783 would allow two-year income averaging for farm income
- H.R. 3559 would allow farmers to place an amount equal to their 1996 FAIR Act market transition payment, or \$40,000 whichever is less, into an income tax deferred account called a "Farmer IRA"
- H.R. 4072 would prevent IRS from applying the Alternative Minimum Tax to installment sales of property
- H.R. 1408 allows farmers and ranchers the option to count income from crop insurance proceeds and disaster payments in either the year of the disaster or the following year
- H.R. 1588 expands the applicability of special tax rules governing the tax treatment of livestock

sold to include all types of natural disasters, not just drought

- H.R. 89, H.R. 844, H.R. 3550 allows farmers to invest proceeds from asset sales into an individual retirement account with taxes due at withdrawal

Farm Bureau Policy: Farm Bureau supports the option of cash accounting for farmers and the continuation and expansion of tax code provisions that allow farmers to match income with expenses. Farm Bureau supports the reinstatement of income averaging for farm income and the creation of "farmer savings plans" which would allow farmers to put money into a pre-tax account for use during emergencies. ■

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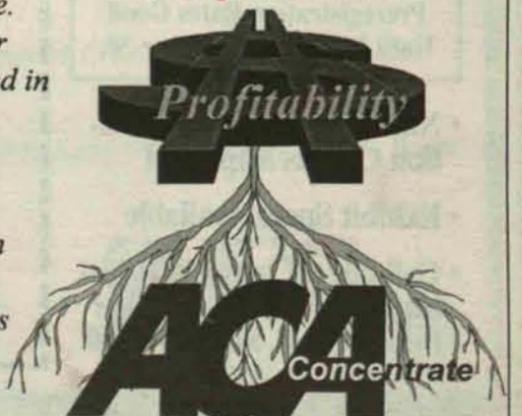
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Precision Agriculture



Perry M. Petersen,
C.P. Ag.-CCA,
Corporate Manager,
Precision Agriculture,
Terra Industries Inc.

Many Michigan farmers are adopting precision agriculture technologies and changing the way they manage their cropping systems. They are using precision agriculture to improve their production efficiencies and to get more out of their resources. But they aren't doing it by themselves. They get expert help and advice from Ralph Leech, John McGuire and Pat Trail — Terra's cropping system advisers in Michigan.

When Terra established its "Precision in Agriculture" program, we realized that our customers needed someone with technical and agronomic

Make use of advice from precision ag experts

expertise to help them use key precision agriculture tools: geographic information systems (GIS), the global positioning system (GPS), variable rate technology, database management and grid soil sampling. Terra created the position of cropping systems adviser to work with farmers on precision agriculture implementation and to analyze the massive quantity of data collected about their cropping systems.

Leech, McGuire and Trail are key to putting precision agriculture technologies to work for Terra's Michigan customers. Each of them has his own way of achieving that goal.

"One of the first things I do is figure out what goals a customer has in mind for precision agriculture," says Leech, who worked this year with Terra customers in Saginaw, Shiawassee, Clinton and Gratiot counties. "I want to find out what he's after. For the most part, our customers think they want to increase bushels per acre across their farms.

"But after talking to them about our precision agriculture program, they see what we are really doing is looking at net return on investment. For the dollars spent on crop inputs, why don't we use precision ag technologies to put fertilizers, for example, in those areas of a field that really need it versus just trying to put a blanket application over the entire field?"

McGuire says his customers in Huron, Sanilac

and Tuscola counties have individual reasons for getting involved in precision agriculture. To help evaluate each customer's situation, McGuire gets answers to a series of questions about the farmer. What is his cropping rotation?

"Most growers are in four crop rotations: sugar beets, dry beans, corn and soybeans," McGuire explains. "If he is doing more corn and soybeans, it may be worth it to put a yield monitor in his combine. But if he has only 30 percent corn and soybeans it may not be worth it, depending on the size of his operation." Is he computer literate?

"If he is using a personal computer already for record keeping, it makes it easier for him to take the next step to the detailed database he will build with geo-referenced yield monitoring and grid soil sampling," McGuire says. What does he already know about the technology involved with precision ag?

"I need to know what kind of background information he already has about precision agriculture," McGuire says. "I want to help him understand the different components and how the information they generate can benefit his operation."

Trail helped some of his customers (who are located primarily south of Lansing and between Lake Michigan and Lake Erie) decide how to get started in precision agriculture this year by taking into consideration the equipment they already own.

"Seven farmers I work with started using yield monitors to collect site-specific, geo-referenced yield data," Trail says. "But 20 customers started by collecting detailed grid soil sampling data because they have older combines without yield monitors which they will replace soon with new models that have the monitors."

Trail says he advises farmers not to start soil sampling with their best fields. "I tell them to start with their worst producing fields and to try to build those fields up to the level of their better fields," he adds.

Each farmer's crop production system may be somewhat different, and he may have his own unique reasons for getting involved with precision agriculture. But expert guidance from qualified cropping advisers can help a farmer make the most of the technologies associated with precision agriculture. ■



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Farmers Petroleum Cooperative announces new product

by Steve Tomac

Farmers Petroleum Cooperative, Inc. has announced a new absorbent product in its line-up. Called Sphag Sorb, it is a product of Lakeland Peat Moss Ltd. of Canada. According to FPC marketing manager Tim Underwood, the new product is far superior to clay-based adsorbents.

"It's natural," Underwood says. "It absorbs but doesn't leach." Because of its wicking action, Sphag Sorb is 10 times more effective than clay, and six times more absorbent than diatomaceous earth or alumina silicate-based adsorbents. Because of this, it is more cost-effective. Using less to pick up more means less time is spent and less waste is disposed.

Sphag Sorb is processed from sphagnum moss that comes from Canadian peat bogs. Peat fibers are separated and activated into a product that absorbs oils, heavy metals, solvents, pesticides, and all other organic chemicals.

The porous structure of Sphag Sorb allows it to encapsulate chemicals on land, water, hard surfaces, and in tanks. Even small amounts are captured, and no leaching occurs, even at high pressures.

Peat's natural structure allows it to have these properties. However, standard peat is high in inert components and water. During Sphag Sorb's processing, the moisture and foreign matter is removed, making the sphagnum peat moss "thirsty"

for organic chemicals.

Clean-up is easy. The Sphag Sorb stays loose and dry, and can be scooped up with a shovel or swept up. No expensive handling equipment is necessary.

Disposing of the used Sphag Sorb is also simple. The natural ability of Sphag Sorb to encapsulate organic chemicals allows it to meet EPA standards for landfill disposal. Sphag Sorb can be incinerated when regulations permit. It has a value of 5,500 to 7,000 BTUs per pound, and an ash residue of less than 5 percent.

Underwood says one of the reasons FPC chose to carry this product was because "it is an

environmentally sound product. It is the safest, best product on the market."

Sphag Sorb costs about \$1 per pound in its loose form. "This is a great value because the buyer receives a superior product," Underwood says.

Sphag Sorb is safe, non-toxic, non-abrasive, and all-natural. It comes in pads, socks, drums and bags. It is lightweight, resists water absorption, and is a renewable resource.

For more details, contact your local Farmers Petroleum Co-op dealer or call FPC's home office at 800-451-6873. ■



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Mega-Conference: 21st century technology

The next century is the focus of the third annual Michigan Agriculture Mega-Conference and trade show. Held Jan. 9-10, the conference will be at the Lansing Center in Lansing.

Six main presentations will help farmers and those in agribusiness learn what they need to do to be prepared for the year 2000 and beyond. There will also be 34 smaller educational sessions, with topics to include precision farming, Bt corn, animal health, and legislation. Nine of the sessions will count for pesticide recertification credits.

In conjunction with the Mega-Conference is Michigan's Premier Winter Agricultural Trade Show. The trade show will be free of charge to those that register for the Mega-Conference.

Abbreviated schedule:

Thursday

- Marketing Outlook and Strategies Session — Pat Driscoll and Val Valenciano
- Michigan Agriculture in the 21st Century — Dan Wyant
- How to Successfully Market your Products in the Next Century — John Roach
- Various workshops
- Trade show

Friday

- Mycogen: Prepared for the 21st Century — Michael J. Muston
- Today's Technology: You Won't Believe it — Dr. Lowell Catlett
- Field of Dreams — Ron Eberhard
- More workshops
- Trade show

For complete information, exhibition space, or to register, contact the conference office at (517) 669-8589, or write to: Conference Office, P.O. Box 387, DeWitt, MI, 48820-0387. ■

Michigan's Groundwater Stewardship Program — producer-funded program protects vital resource

by Mary Gawenda

Designed to help individuals protect their groundwater resources, the two-year-old Michigan Groundwater Stewardship Program is at the forefront in groundwater protection. This voluntary program has helped nearly 5,000 Michigan farmers conduct the confidential Farm*A*Syst farmstead risk assessment and provided technical assistance and cost-share resources for nearly 1,000 abandoned well closures, says Mark Swartz, MDA's groundwater program manager.

Funding is generated from registration and sales-based fees on pesticides and nitrogen fertilizers. Specialty (household) products generate about 40 percent of the program's revenues while agricultural, right-of-way, turfgrass, and other wide area pesticide uses account for most of the remaining 60 percent. Some federal dollars provided by the EPA are used to support the Clean Sweep unused pesticide pick-up program.

Farm*A*Syst, a voluntary and confidential assessment of risks posed by various farmstead practices, organizes information in a way that allows a farmer to look at his or her own operation in terms of the risks to groundwater. According to Swartz, conducting a Farm*A*Syst evaluation with a trained technical assistant makes farmers eligible for the other technical assistance and cost-share opportunities provided by the program.

"Many of the farmers who have been a part of the stewardship program have told us that they have done things such as moving their pesticide mix/load operations away from their well, or using

an air gap when filling their sprayer, to reduce their risks at no cost," says Swartz. Another advantage of participating in the Michigan Groundwater Stewardship Program is that up to six pesticide applicator certification credits can be obtained for completing a Farm*A*Syst evaluation.

"Abandoned wells are one of the most frequently identified risks identified by farmers when doing a Farm*A*Syst evaluation," says Swartz. Abandoned wells that are open to the surface can allow surface water to move directly into groundwater. Any activity taking place on the soil surface can have a direct impact on groundwater because all of the natural filtration capacity of the soils are bypassed.

The Michigan Groundwater Stewardship Program provides technical assistance and up to 90 percent cost-share to close abandoned wells because of the high degree of risk posed by abandoned wells, and by the realization that closing a well may reduce risks but does not improve profitability (such as pre-sidedress soil nitrate testing).

Another feature of the Michigan Groundwater Stewardship Program is the coordination of local, state and federal resources in a way that makes it easier to evaluate and implement different practices.

"For abandoned well closure, we worked with MSU Extension, the Michigan Department of Public Health, the USDA AmeriCorps program, the Natural Resources Conservation Service (NRCS), and the 319 cost-share programs to combine background, technical standards, and reporting requirements and integrated them into a single groundwater stewardship practice manual. The intent is to provide one-

stop-shopping for information on abandoned well closure," says Kimberly Neumann, NRCS liaison to the Michigan Groundwater Stewardship Program.

The technical assistance for Farm*A*Syst and abandoned well closure are supported through grants from the Michigan Department of Agriculture (MDA) to local groundwater stewardship programs. Each of these local programs is putting together a groundwater stewardship team comprised of local farmers, agribusinesses and agency representatives. These local teams determine what type of mix of education, technical assistance, demonstration and cost-share are in each local grant proposal.

"In many ways the local stewardship teams also provide direction for the statewide program. Farmers who are on local groundwater stewardship teams or have completed a Farm*A*Syst evaluation are being asked to let us know what practices they are interested in. That information is used to set priorities for the state level program," says Swartz.

To date, MDA has provided \$2.32 million to local programs in support of the local groundwater stewardship programs. These local programs have committed to doing 5,000 Farm*A*Syst evaluations, 1,301 abandoned well closures, provided 35 portable and 11 permanent pesticide or fertilizer mix/load pads, conducted 40 sprayer calibrations, four irrigation system calibrations, and utilized pre-sidedress soil nitrogen testing on 15,000 acres of corn.

The Michigan Groundwater Stewardship Program is also working with the Michigan Agri-Business Association in support of the pesticide container recycling program. Plastic pesticide containers

that are empty, clean and cap-free can be returned to participating dealers where they are processed and recycled.

"Michigan farmers have also been taking advantage of a newly initialized spill response program," says Swartz. This program is providing technical assistance, notification support, and, in some cases, financial assistance to individuals who have had a pesticide, fertilizer or manure spill.

"Last year about 50 percent of the overall funding went to local cost-share programs. The remaining money went for local demonstrations, educational support, and technical support for the local programs. Program administration fees were kept to less than 14 percent, while maintaining coordination with state and federal programs."

Although the program has had a positive impact, it also has its critics. Anne Webster, a sales representative for Rhone-Poulenc says some farmers near the state line are choosing to buy some of their nitrogen and chemicals from Indiana and Ohio to avoid paying the higher costs of in-state dealers.

Webster says some out-of-state dealers are selling into Michigan without paying the registration fees, allowing them to bid for farmer business at a lower cost than resident dealers.

"Eventually, some of our dealers are going to be forced out of business to the benefit of Ohio and Indiana dealers," Webster claims.

But Swartz counters by saying that fiscal year 1994-95 data shows that less than 1 percent of the restricted-use sales came from out-of-state dealers. "So even if they're not paying for materials, it's not a big issue," he says. ■

Strong demand means strong prices for apples

American apple growers are expecting strong prices for the 1996 crop. Behind the steady prices are flat growth in 1996 production, an improved U.S. export outlook, and a strong juice market worldwide.

The 1996 U.S. apple crop, first estimated by USDA in August at 10.7 billion pounds, is about even with 1995. However, a stark difference in crop size between eastern and western producing regions is emerging for 1996/97. More apples are expected from Washington's 1996 crop, while central and eastern U.S. crops will fall short of last year's output.

Central and eastern apple crops are estimated down 20 percent, a figure considered conservative by growers in New York, Pennsylvania and Ohio. Apple processors depend heavily on supplies in the East for apple juice, sauce and canned apples.

Offsetting the decrease in the eastern United States is a 15 percent increase in western production — mainly in Washington, Oregon and California. In the West, processors are expecting ample supplies, but western growers depend on the fresh market for profitable prices. In Washington, apples are reportedly smaller and more suitable for fresh exports.

Contributing to strong U.S. prices for apples is robust export demand. While U.S. domestic demand has stagnated, exports have boomed in recent years. Amounting to only 10 percent of fresh-market production in 1986/87, fresh-market apple exports will likely comprise a 25 percent share in 1996/97. The main overseas customers include Taiwan, Mexico, Canada, Hong Kong, and countries of the European Union. Factors supporting the strong export trend include aggressive industry promotion, favorable exchange rates, rising foreign incomes, and periodic shortfalls in foreign supplies.

Fresh Apple Consumption

What is the competitive position of fresh apples within the U.S. retail fruit market, and how has it changed in the 1990s? Seasonality of supply perishability, and increased imports to meet U.S. consumer demand for fruit year-round have led to higher marketing costs and ultimately higher fruit prices. The high cost of fruit relative to other food products is an important factor in consumption patterns.

The typical American diet falls short of the number of daily servings of fruit recommended by federal nutrition guidelines, according to a recent study by USDA's Economic Research Service. Fruit intake, averaging 1.5 servings per person, is only 50 percent of guideline levels. Fresh apple consumption

averages only about one apple per person per week.

Fresh apples make up 20 percent of the 33 billion pounds of fresh fruits forecast for U.S. consumption in 1996/97. However, per capita consumption projections indicate no great promise for expanding total U.S. apple demand beyond the rate of population growth. Annual fresh apple consumption on a per capita basis has remained around 19 pounds since 1990/91.

Relative prices help explain the stagnation in apple consumption. Apples are a leading item in fresh fruit price inflation, which has averaged 6.5 percent annually since 1986, compared with only 3.4 percent for all food. Since 1990, retail prices for fresh apples are up 38 percent on average, while banana prices are up only 15 percent.

If fresh apple prices rise in 1996/97 (August-July), consumers could switch to substitutes, as happened last year in the apple juice market. Based on grocery store scanner data for August 1995-July 1996, it appears that consumers switched to cranberry and grape juices as apple juice prices increased. Retail produce departments offer an increasing array of exotic substitutes, such as mangoes, that compete for the consumer's fruit-expenditure dollars.

Competition for Apples

The noncitrus competitors for fresh apples in U.S. retail markets include bananas, grapes, peaches, nectarines, pears, strawberries, kiwi and mangoes, totaling nearly 14 billion pounds consumed annually. Per capita consumption of this group of eight non-citrus competitors is expected to total 51 pounds in 1996/97, up from 45 in 1990/91. Banana consumption alone has increased 5 pounds per capita (from 24 pounds to 29) during the last five years.

Apples' main competitors are largely imported. Bananas, the most preferred fruit in the United States, are almost all imported. U.S. banana imports come mainly from Costa Rica, Ecuador, Colombia, Honduras and Guatemala. Grapes are next, at 7 to 8 pounds per capita, and one-third of the U.S. supply is imported — mainly from Chile and increasingly from Mexico.

Year-round availability of fresh fruit has also been a key long-run factor in the competitive position of apples in U.S. markets. Strawberries, mangoes and kiwi fruit — increasingly available from Southern Hemisphere countries — are vying for an ever greater share of U.S. consumers' fruit expenditures. And as the import season broadens, competition will increase for the domestic apple industry.

Peaches, nectarines and pears are naturally

competitive with apples, as all are similarly sweet, medium-sized fruit that are readily eaten in-hand. Consumption trends for all four are flat. Peaches, nectarines and pears have stagnated at a combined 8.3 pounds per capita over the past 10 years. In 1996, the competitive position of apples within this group improved, due to a reduced crop of eastern peaches — severely curtailed by poor spring weather in Georgia and South Carolina — and a forecast lower pear crop this fall for Oregon and Washington.

Trends in production and imports of strawberries, mangoes and kiwi fruit indicate increasing competition for apples. In the last five years, while apple consumption was flat, combined kiwi and mango consumption increased 50 percent to 1.5 pounds per capita, and strawberry consumption increased 25 percent to over 4 pounds.

Competition from fresh oranges has not esca-

lated significantly, until recently. Orange consumption bounces between 12 and 15 pounds per capita annually, depending on supply and export demand — exports amount to 25-30 percent of fresh-market use.

In the 1980s, weather-related production problems in California and Florida worked in favor of the apple industry by reducing orange supplies and driving up retail prices for oranges. But recently, California's crop, buffeted by unfavorable weather, has not been up to the high standards necessary to compete effectively in the export market. As a result, the U.S. domestic market has absorbed the expense of apple consumption.

For further information, contact: Linda Calvin, fruit; Gary Lucier, vegetables; Ron Lord, sweeteners; Doyle Johnson, tree nuts and greenhouse/nursery; Lewrene Glaser, industrial crops. All are at (202) 219-0840. ■

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Discussion Topic

January 1997
A monthly resource for the Community Action Groups of Michigan Farm Bureau



Though nearly half the people in Michigan rely on groundwater for drinking, it's an often-overlooked resource. And once it is polluted, groundwater is nearly impossible to clean up. As land use continues to impact water quality — both on the surface and in the ground — the need for action, especially at the local level, becomes critical.

When groundwater moves, it knows no boundaries. Pollutants move across watersheds without regard to county lines or any other man-made border. What we do on the land in one area may affect water quality in another area.

That's one concern that Dave Duyck, a Bay County Farm Bureau member, doesn't take lightly. Citizens in his area have taken a proactive stance when it comes to groundwater concerns. Using *Groundwater Stewardship in Michigan — A Manual for Community Action* as a resource, he and others formed a three-county groundwater stewardship team. The manual was produced by Michigan Farm Bureau and guides such teams through stewardship projects.

Local action is key

The team consists of representatives from Bay, Arenac and Midland county Farm Bureau organizations and Soil Conservation Districts. A well driller, a health department official, a county drain commissioner, Natural Resources Conservation Service staffers and others round out the list. According to Duyck, each individual has a stake in the quality of the region's groundwater.

Groundwater protection starts with community action

A year ago, participants sent a questionnaire to Bay County Farm Bureau members, asking what stewardship practices they might be interested in if cost-sharing were available. Farmers returned project ideas including a pesticide loading pad, nitrate testing and petroleum storage.

The Bay County Soil Conservation District organized the groundwater stewardship team and applied for a \$62,000 grant to help fund such projects. With the funding, which was approved in October, the Soil Conservation District hired a technician to oversee the program. Approximately \$25,000 is earmarked for farmer cost-sharing projects.

Duyck says it's important for farmers to get involved in groundwater action. "If we as an industry can take care of potential environmental problems now, then it saves us from expensive and time-consuming clean-up in the future," he explains. "Knowing that environmental issues and rules and regulations are coming, we should act now."

Kevin Kirk, MFB commodity specialist, agrees. "When there is a groundwater contamination problem, the finger gets pointed at agriculture all too often," he says. "People often forget about pollution sources such as commerce and industry, and even household waste. Farmers need to be proactive about groundwater protection, then let others know what they're doing."

Manual offers groundwater help

Kirk says *Groundwater Stewardship in Michigan — A Manual for Community Action* is an excellent means to that end. "It's a comprehensive resource that people can use to help them organize a groundwater stewardship team," he says. "Then, their role is to determine what the priorities are in their communities and where they can do some good."

The manual explains how citizens can form a groundwater stewardship team, and explores how to determine whether there are groundwater threats in the community. It provides an introduction to the

movement of groundwater and addresses land uses that can impact the resource. The manual shares helpful resources, lists of publications to read and people to contact. Should projects need funding, the manual acts as a guide for finding it. "We even tried to take it down to the local level, with names of government agencies so people would know where to look for information," Kirk says.

"Every Natural Resources Conservation Service office has a copy of the manual," he says. "Their staff members have been instrumental in helping to get this project off the ground and to form local teams."

Fertilizer fee provides funding source

Duyck's three-county groundwater stewardship team earned their grant through the Michigan Department of Agriculture. Finances for such agricultural projects come from the Groundwater Stewardship Protection Fund — obtained from a fee of one-and-a-half cents per percent of nitrogen in each ton of fertilizer sold in Michigan. (Example: A five-ton load of fertilizer containing 10 percent nitrogen is sold. 1-1/2 cents x 10 percent nitrogen fertilizer x

5 tons = 75 cents.)

Groundwater Stewardship in Michigan — A Manual for Community Action is available from the Natural Resources Conservation Service office in each Michigan county. It was produced by Michigan Farm Bureau and the Institute of Water Research at Michigan State University through a grant from the Groundwater Stewardship Protection Fund.

Discussion Questions

1. What are some groundwater protection needs in your community? Which projects should be priorities?
2. Who should be responsible for our groundwater? Why should action start at the community level rather than with legislators?
3. Should groundwater protection practices be mandated or voluntary? How could farmers be compensated for their efforts (cost-sharing, etc.)?
4. What can individual farmers do to protect groundwater supplies? What do you already do on your farm?

Michigan Immature Grain and Forage Information Exchange

In a cooperative effort kicked off in October between Michigan Farm Bureau, Michigan State University Extension and Michigan Farm Radio Network, the Michigan Immature Grain and Forage Information Exchange (MIGFIE) will assist Michigan producers in securing grain and forage resources. The free listing will carry the names of sellers and truckers willing to haul immature grain and forages.

To be placed on the MIGFIE listing, sellers should call (517) 432-1555 at MSU and ask for the MIGFIE list person or call (800) 968-3129 at Michigan Farm Bureau. Growers can also call their county Farm Bureau or MSU Extension offices to be placed on the list.

Here are sellers and truckers who have already provided information for MIGFIE:

Corn Sellers	Amount	Notes	Phone
Mike Alton, Midland	10,000 bu.	24%+ moisture, Trucking available	517-631-8052
Dennis Boersen, Zeeland	500 acres	30% moisture, Trucking available	616-875-8869, after 6 p.m.
Perry Carter, Crystal	10,000 bu.	\$3/bu., 26-32% moisture, short distance trucking available	906-235-4282 early a.m. or late p.m.
Mike Day, Fairgrove	10-15,000 bu.	Trucking available within 25 mi.	517-693-6127
Dave Duyck, Essexville	4,000 bu.	\$2.50/bu., 25-30% moisture, 49-51 test wt., no trucking	517-893-4018
Newell Farms, Trufant	6,000 bu.	\$150/ton, 24% moisture, 58 test wt., trucking available	616-984-2685 (8 a.m. or 7 p.m.)
John Schneider, Dewitt	30 acres		517-669-3641
Other	Amount	Notes	Phone
Wendell Eten, Rock	150 tons alfalfa/grass	Trucking available	906-356-6290
Keith Gordy, Ionia	60 ton dry beanlage	Trucking available	616-527-3888 after 4 p.m.
Steve Goth, Grand Ledge	88 acres corn silage		517-627-5073, 8:30 a.m.
Bob Knoblock, Valparaiso, Ind.	1,700 bu. roasted soybeans	No trucking available	219-462-8755
Wendell Eten, Rock	150 tons alfalfa/grass	Trucking available	906-356-6290
Newell Farms, Trufant	1,000 bu. soybeans	14% moisture, 60 test wt., trucking available	616-984-2685 8 a.m. or 7 p.m.

Michigan Immature Grain and Forage Sellers and Truckers List

Name _____
 Address _____
 City/State/Zip _____
 Phone _____ Best time to call: _____ a.m. _____ p.m.

	Quantity in Bu.	Asking Price per Bu./Ton	% Moisture	Test Weight
Corn	_____	_____	_____	_____
Soybeans	_____	_____	_____	_____
Corn Silage	_____	_____	_____	_____
Other forage (please specify)	_____	_____	_____	_____

Transportation at this farm available? YES NO Cost _____ \$/mile

Please call the Extension office to cancel your listing when you have sold all of your crop or forage. This listing is for information purposes only. There is no recommendation or endorsement implied. The Michigan Grain and Forage List is sponsored by Michigan Farm Bureau, Michigan Farm Radio Network and Michigan State University Extension.

For Truckers Only

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Pioneer	3394	\$478	165.4	20.9	56.4
Pioneer	3489	\$483	168.9	22.1	55.9

MAX 21 advantage/acre \$27; MAX 21 advantage/bag \$76

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Ciba	MAX 88	\$392	147.4	26.1	52.2
Pioneer	3752	\$345	133.4	27.2	50.7

MAX 88 advantage/acre \$47; MAX 88 advantage/bag \$132

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New facility means improved research for MSU

by Mary J. Gawenda

The old white barn just won't do anymore. That's what researchers, technicians and others have been telling Michigan State University officials for years.

Now the barn built in 1937 is dwarfed by the new Crop and Soil Sciences Research Facility, 4450 Beaumont Road off Mt. Hope Road.

"The building was designed to bring us into the 21st Century," said Brian Graff, farm manager.

With four soil research labs, a threshing lab and several other specialized units for research, the 28,000 square foot building will accommodate 21 professors, 17 technicians and their agriculture research, Graff said.

"This building is designed to handle the dirty, messy work of field research," Graff said.

The soybean, corn and potato labs are located in the right wing of the building; separated from the seed and other "clean" research labs by a large loading area — a major benefit of the building's construction, Graff said.

It's also convenient because technicians can drive harvest trucks into the building and unload their samples without disturbing other research projects.

"Now we have things that will make us a lot better. We do a lot of work with potatoes and before, we didn't have adequate storage or chipping



for them, said Boyd Ellis, chairperson of MSU's Department of Crop and Soil Sciences.

Graff says the new building was designed with convenience, flexibility and the weather in mind.

"Like a lot of farmers, we can't afford to have machinery break down during planting or harvesting season. With this work area, we finally have

enough room to operate on heavy machinery — and it's heated," Graff said.

Funding for the building came from a \$3.1 million capital improvement appropriation from the state, Graff said. In addition to the new building, a cereal and soybean farm and lab will be constructed, Graff said.

Handbook on greenhouse livestock housing published

Using a greenhouse for daily livestock may be an economical and effective way to shelter livestock or may turn out to be an absolute disaster.

Assessing the adaptability of a greenhouse to the existing dairy operation is the focus of *Greenhouse Barns for Dairy Housing*, a 15-page booklet available through Michigan State University.

William Bickert, MSU Extension dairy housing specialist, says the publication contains extensive information about the two important areas that must be considered — ventilation and cost.

"The booklet is designed to help producers and designers think through their options when considering greenhouse structures, and it may help producers avoid costly errors," Bickert says. "It presents concerns and possible limitations that should be taken into account."

The booklet covers design and construction details of greenhouses and modifications necessary to meet livestock environmental needs. A variety of greenhouse barn layouts are illustrated, and methods for providing ventilation are detailed.

The publication costs \$4. Make checks payable to Michigan State University and send to Plan Service, 216 Farrall Hall, MSU, East Lansing, MI 48824-1323.

Supreme Court to hear endangered species case

The Supreme Court recently heard arguments related to an Oregon case that could broaden the right to sue under the Endangered Species Act. The case in question involves farmers and ranchers in Oregon who claim \$75 million in damages to crops and livestock from lost water due to a move to help preserve the sucker fish, an endangered species.

Farmers claim they should have the right to sue the federal government for damages resulting from protection actions for endangered species. Earlier, the 9th Circuit Court of Appeals in San Francisco ruled only environmentalists and others who

want to increase protection for endangered species have the right to sue under the species protection laws. The farmers and ranchers hope to change that interpretation.

"People tried drilling wells, but they turned out not to be reliable," said rancher Glenn Barrett, about the situation in 1992 during a drought in the area after federal officials diverted irrigation water from farms and ranches near Oregon's Lost River to help the sucker fish. "There were several bankruptcies in the area. Without water, you don't have a business."

Update on European hormone ban

The United States World Trade Organization (WTO) case against the European Union on the 10-year ban on imports of U.S. beef produced with approved growth promotants is moving forward as defined by the WTO framework.

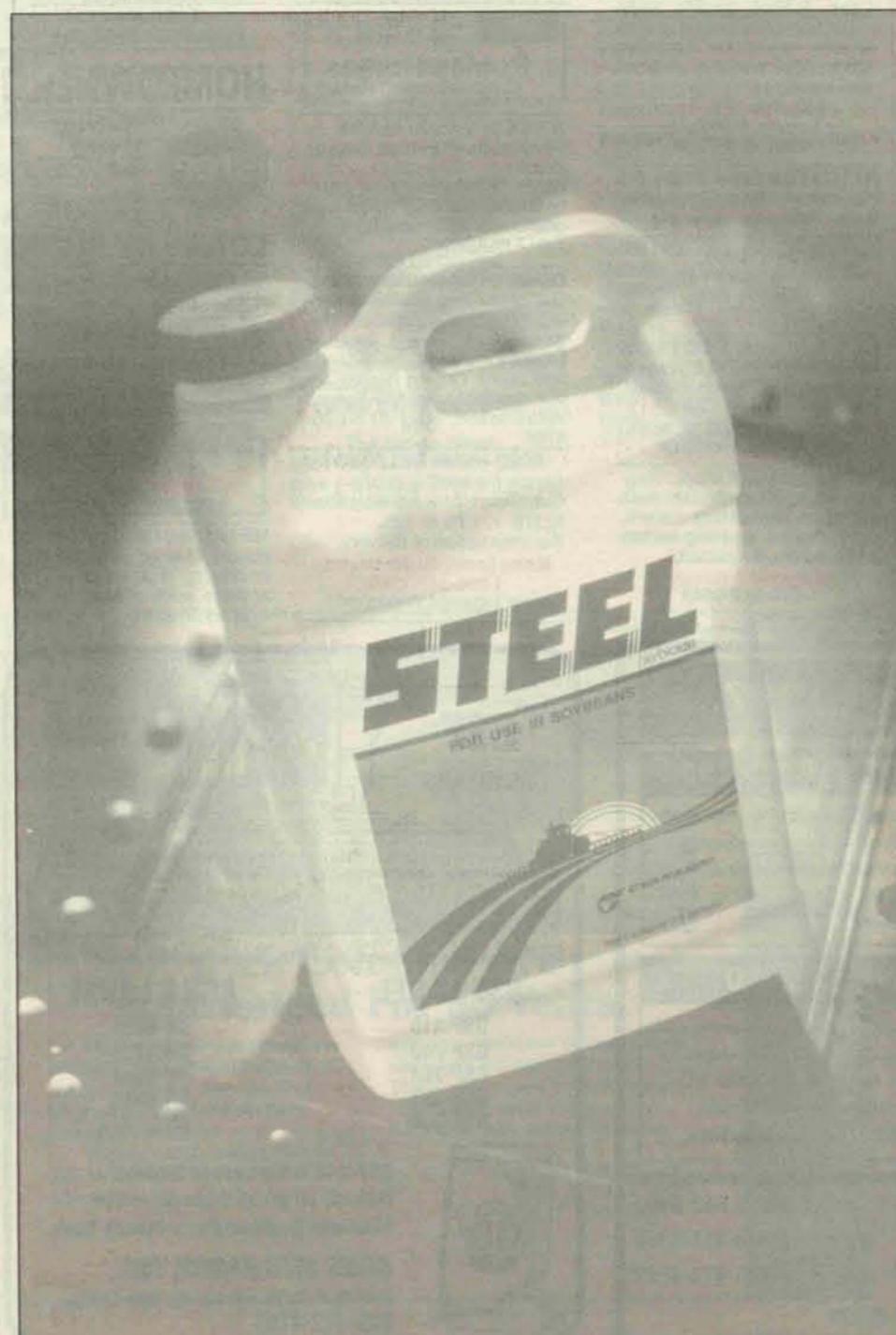
During the week of Nov. 11, the second formal Dispute Settlement Panel (DSP) met to hear formal briefs from the EU and the United States. According to a USDA official, the argument presented by the EU did not provide strong facts for its side. The U.S. brief, presented by legal counsel, was perceived as presenting a very strong argument. The EU position was based largely on emotionalism, not science.

Canada has filed a WTO case against the EU on the same basis as the United States. The same

Dispute Settlement Panel and chairman will hear the Canadian case. The Chairman will not announce the results of the United States case until the Canadian case has been decided. This will extend the time frame for the final results for the U.S. by approximately six weeks.

The DSP has asked for a panel of scientific experts which should meet in December but not all panel members have been identified. This panel is expected to provide clarifying information to the DSP.

The final panel results should be announced in February for the United States and Canada. Australia and New Zealand have supported the U.S. but have not requested a Dispute Settlement Panel.



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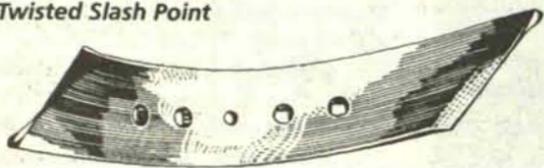
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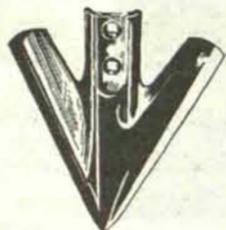
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05 Livestock

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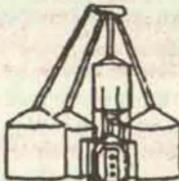
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GSF SOYBEANS

GSF LABEL

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- GSF-240
- GSF-283
- GSF-323
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19 General

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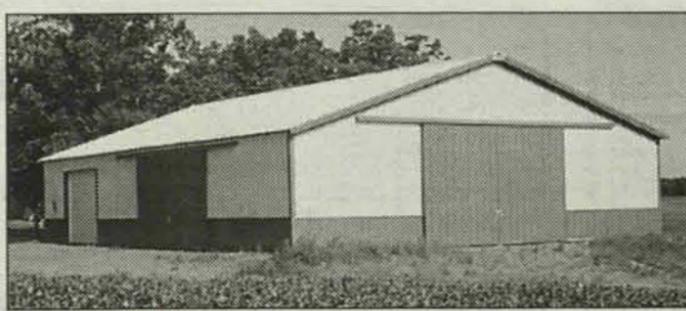
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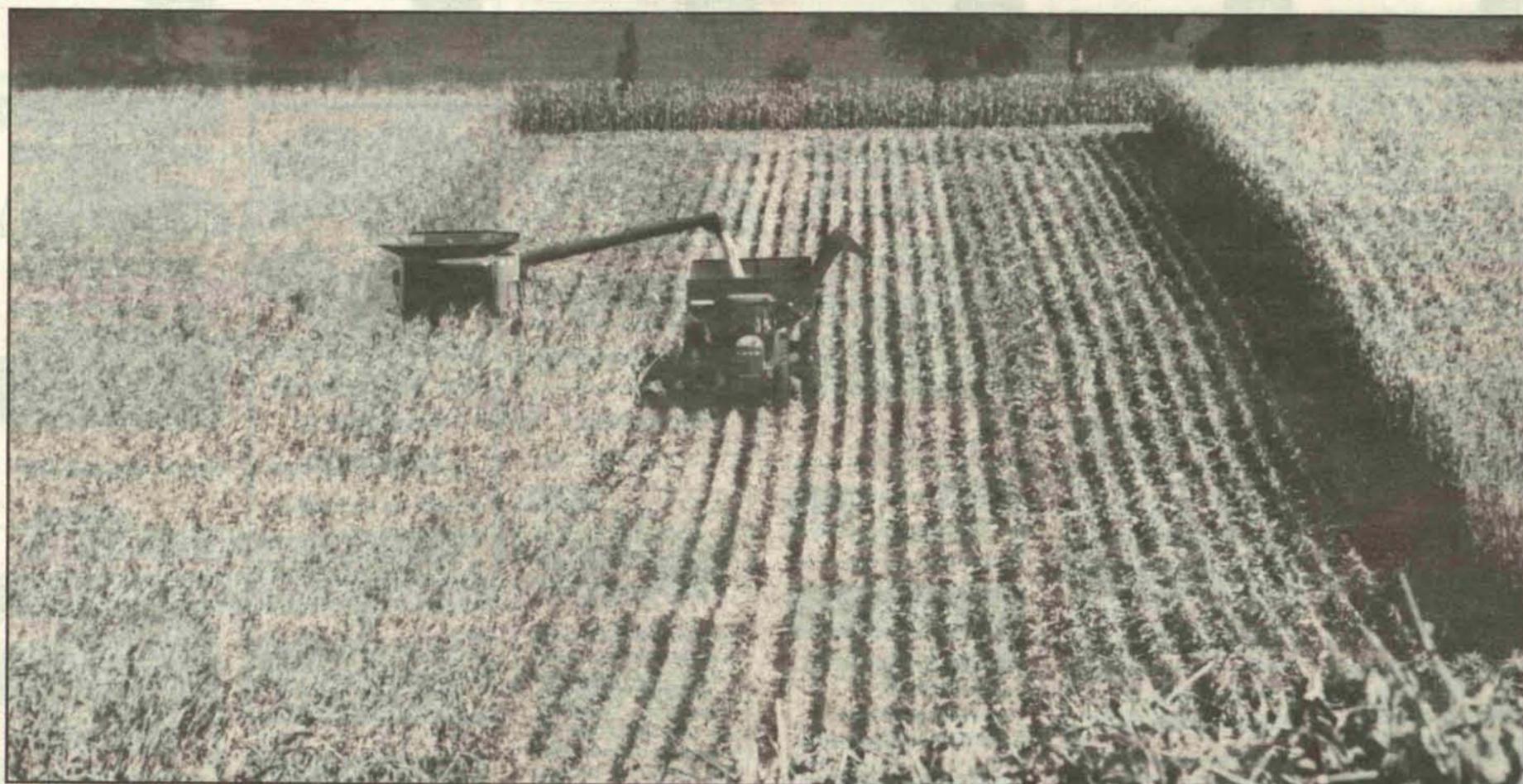
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ANDY BRINK	PIONEER	3525	149.1	24.0	\$347.40	RONCYBULSKI	DEKALB	DK493	116.8	36.7	\$242.48	
	PIONEER	3394	143.5	27.0	\$325.75		PIONEER	3751	127.3	32.8	\$274.20	
ZEELAND, MI COUNTY: ALLEGAN	DEKALB	DK592SR	119.9	32.0	\$260.18	CARO, MI COUNTY: TUSCOLA						
		PLANTED: 05/06/96	HARVESTED: 10/28/96					PLANTED: 05/14/96	HARVESTED: 10/24/96			
COOPERATOR	BRAND	HYBRID	YIELD	MST.	INCOME/ ACRE	COOPERATOR	BRAND	HYBRID	YIELD	MST.	INCOME/ ACRE	
JEFF SANDBORN	PIONEER	3752	140.5	26.2	\$321.18	MICHAEL CRANSON	PIONEER	3525	185.0	22.5	\$436.60	
	CIBA SEEDS	4214	129.4	24.2	\$300.98		ICI	8700	139.9	25.5	\$321.77	
PORTLAND, MI COUNTY: IONIA	CIBA SEEDS	MAX747	129.0	24.6	\$299.02	BRONSON, MI COUNTY: BRANCH						
		PLANTED: 05/31/96	HARVESTED: 11/02/96					PLANTED: 04/29/96	HARVESTED: 10/21/96			
COOPERATOR	BRAND	HYBRID	YIELD	MST.	INCOME/ ACRE	COOPERATOR	BRAND	HYBRID	YIELD	MST.	INCOME/ ACRE	
NORMAN WALTON & SONS	CIBA SEEDS	4273	124.4	26.3	\$284.13	CHARLES NANASY	PIONEER	3751	135.9	20.6	\$325.89	
	PIONEER	3573	143.2	30.3	\$315.61		FLD. CHOICE	8190	114.5	23.0	\$269.08	
IMLAY CITY, MI COUNTY: LAPEER						PERRY, MI	FLD. CHOICE	95+	115.7	25.8	\$265.42	
		PLANTED: 05/17/96	HARVESTED: 10/28/96				COUNTY: SHIAWASSEE	PIONEER	3733	127.4	23.4	\$298.37
								PLANTED: 05/16/96	HARVESTED: 11/04/96			
COOPERATOR	BRAND	HYBRID	YIELD	MST.	INCOME/ ACRE	COOPERATOR	BRAND	HYBRID	YIELD	MST.	INCOME/ ACRE	
DAVID FRY	PIONEER	3335	199.8	29.0	\$445.55	HAROLD MAC ALPINE	GR. LAKES	GL450	124.6	30.6	\$273.87	
	DEKALB	DK604	156.2	27.0	\$354.57		PIONEER	3861	136.2	29.4	\$302.64	
FULTON, MI COUNTY: KALAMAZOO	DEKALB	DK566	166.3	28.0	\$374.18	SNOVER, MI COUNTY: SANILAC						
	PIONEER	3496	153.8	27.5	\$347.59			PLANTED: 05/17/96	HARVESTED: 10/29/96			
	PIONEER	3394	171.4	27.2	\$388.39							
	PIONEER	3489	173.7	29.5	\$385.61							

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3751	142.9	57	7.9	-0.2	\$67.66
3752	138.9	66	7.1	0.1	\$64.16
3573	140.7	66	16.1	-0.3	\$43.87
3525	132.9	39	7.9	0.6	\$73.31

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